

'EVERYTHING THAT RISES MUST CONVERGE'

**A NEO-MARXIST ANALYSIS OF
CANADIAN BUSINESS-GOVERNMENT RELATIONS**

by

Anne Mary Bugyi

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ABSTRACT

The following thesis presents an analysis of business-government relations within a neo-Marxist framework. Specifically, the discussion encompasses how the business interest group, the Business Council on National Issues, maintains consensus and unity amongst its monopoly capital members. Furthermore, the study elaborates on the process through which the group's interests are acknowledged and legitimized by the state under the "public interest" *façade*.

Most of the literature pertaining to business-government relations within the context of interactions between business interest groups and the state, and such specific branches of the state as the government and/or the civil service, emphasize a liberal-pluralist perspective. Essentially, these writings serve to reflect and legitimate the current *status quo*. Marxist discourses on the subject, while attempting to transcend the liberal-pluralist framework, nevertheless suffer from either economic determinism, i.e., stressing the state's accumulation function but not its legitimation function or historical specificity. A cogent and comprehensive neo-Marxist analysis of business-government relations must discuss both the accumulation and legitimation functions of the state. The process by which the concerns of a particular business interest group become part of the state's policy agenda and subsequently are formulated and implemented into policies which legitimate its dominance is also studied. This inquiry is significant given the liberal-pluralist assumptions of a neutral state and that all interest groups compete "on a level playing field".

The author's neo-Marxist paradigm rejects both of these assumptions. Building on concepts from neo-Marxist instrumentalism, structuralism, state monopoly capitalism, and forms and functions of the state perspectives, the author proposes that policies which legitimize the interests of the monopoly capital fraction cannot be discerned only from the state's activities, *per se*. Clearly, if the liberal-pluralist

contention of multiple and conflicting interest groups, including those within the capitalist class, is taken at face value, an interest group such as the Business Council on National Issues (BCNI), must somehow maintain internal consensus and unity amongst its members. Internal consensus amongst its members ensures that the state can better acknowledge and articulate its concerns into policies that maintain hegemonic dominance of the monopoly capital fraction under the "public interest" *façade*. The author contends that the BCNI focuses most of its interactions on the upper echelons of the civil service since it is this branch of the state which is most responsible for policy formulation and implementation.

The author's paradigm is applied within the context of extensively analyzing newspaper coverage, BCNI publications, and other published sources, as well as a personal interview with an executive administrative member of the BCNI. The discussion focuses on how agreement and unity amongst the various interests of the monopoly capital fraction are maintained through the business organization, its policy scope, and finally its interactions with the state.

The analysis suggests that while the civil service is an important player in expressing the interests of the BCNI's membership through policies which ostensibly also reflect the "public interest", it is not the only strategic target for the BCNI's interactions with the state. The author's research also highlights the importance of government officials at the Cabinet level and Cabinet Committees. Senior elected officials from the Federal government are also significant in avoiding intergovernmental or interprovincial conflict in implementing policies that legitimize hegemonic dominance of the monopoly capital fraction over other fractions and classes.

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While writing this thesis, I was occasionally seized by the fear that my written thoughts would not fill the required area of a typed sheet. Ironically, I now realize that an 8½" x 11" page may not be enough space to properly acknowledge everyone who was instrumental in its writing. Hence, any omissions are a result of lack of room and not of intention.

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Ezt a tézist sok szeretettel ajánlom a drága szüleimnek.

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LIST OF ABBREVIATIONS

BCNI: BUSINESS COUNCIL ON NATIONAL ISSUES (ALSO: BUSINESS COUNCIL).

CEO: CHIEF EXECUTIVE OFFICER.

CFIB: CANADIAN FEDERATION OF INDEPENDENT BUSINESS.

GST: GOODS AND SERVICES TAX.

MST: MANUFACTURER'S SALES TAX.

PCO: PRIVY COUNCIL OFFICE.

PMO: PRIME MINISTER'S OFFICE.

P&P: PRIORITIES AND PLANNING COMMITTEE.

CHAPTER ONE: INTRODUCTION

The impetus for writing this thesis on the interactions between the Business Council on National Issues (BCNI) and the Canadian Federal civil service came from the following two sources. First, it is based on the realization that the subject of business-government relations from a Marxist or a neo-Marxist perspective is a sadly neglected part of current public administration literature. For example, "public choice" writer, W.T. Stanbury, in the book, *Business-Government Relations in Canada*, acknowledges the Marxist argument, but only in terms of making business interest groups "pay" for their dominance over labour.¹ *Business and Politics. A Study of Collective Action*, written by William Coleman, from a liberal-pluralist perspective, questions the cogency of Marxism by presenting only fragments of Marxist analysis out of context.²

Secondly, after reading and analyzing the very few works written on the BCNI and the Canadian state, one gets the impression that the propositions are based on revisionist or historical specific concepts. This is perhaps most acute in the article, "The Business Council on National Issues and the Canadian State" by David Langille.³ While offering many useful insights, Langille's contention that "the BCNI is an alliance of monopoly capital under the leadership of the hegemonic fraction--finance capital, led by the chartered banks"⁴ tends to be somewhat arbitrary and limited, especially if it is considered in context of the other interests of the monopoly capital fraction such as manufacturing, resources, or foreign investment. When Langille attempts to analyze specific policies such as the Post National Energy Programme, he contends:

"The direction which their compromises [i.e., between producing and consuming sectors, and between the Federal and Provincial governments] have taken suggests that the staples fraction--the alliance between finance capital and resource capital--still outweighs the influence of manufacturing capital."⁵

Unfortunately, this assumption is founded upon the revisionist "dependency school" of theorists. Kari Levitt, writing from a neo-Marxist perspective based her "dependency" analysis on a somewhat narrow interpretation of Harold Innis' "staples theory".⁶ Moreover, the entire "dependency school" is bound to historical specificity and rather archaic, given William Carroll's later analysis that most of the previously foreign-owned and controlled staples interests of monopoly capital in Canada have been repatriated by an alliance of Canadian financial and industrial interests.⁷ Furthermore, Langille does not explain how the business interest group as an organization ensures cohesion and consensus among its members' interests. Too often, Langille's analysis concentrates on the state's accumulation function at the expense of neglecting the state's legitimation function. In other words, how is the "general business interest" made synonymous with the "public interest"? Perhaps this is because Langille sees the BCNI's policy initiatives from strictly an economically deterministic perspective.

Finally, in discussing the BCNI's composition of membership, Langille notes the following:

"... the BCNI may constitute the most powerful bastion of patriarchy in the country, given that all one hundred and fifty of the chief executives involved are men".⁸

Although this is a perceptive point on Langille's part, it also contains an unintentional irony. Regardless of Langille's neo-Marxist perspective, his analysis is merely another addition to the "powerful bastion" of male-dominated business-government relations writers. The author concedes that some may find this point to be semantic or even irrelevant. However, one is hard pressed to find the same number of female writers publishing material on the interactions between business interest groups and the state. Furthermore, the author does not desire or expect to have the material contained

within this thesis considered *Promethean* by those who read it. For example, the following material is essentially a summary and analysis of Langille's article. Rather, the point is being emphasized as a humble attempt on the author's part to encourage further research on the subject by other women public administration students and/or professors. The rest of this introduction provides a brief synopsis of each of the thesis chapters.

If one is to undertake critical study of the subject of business-government relations from a Marxist perspective, the first task to be accomplished is to survey the various contending views existing in the literature. With this mind, Chapters Two and Three are devoted to examining business-government relations in the context of several theories. The basic framework of each chapter is the same. It examines the roles of both the civil service and business interest group(s) in terms of articulating the "public interest". The state's legitimation function is analyzed in the context of maintaining the *status quo*. It is therefore also important to discuss the state's neutrality (or lack thereof) in the process. Each theory is also analyzed in terms of presenting a valid and all encompassing paradigm of business-government relations. Chapter Two deals with such "traditional" paradigms as elitism, pluralism, public choice, corporatism, and instrumental Marxism. All of these paradigms are discovered to have several conceptual problems.

Chapter Three surveys and examines business-government relations in terms of certain neo-Marxist and post neo-Marxist paradigms. The neo-Marxist paradigms analyzed include: Ralph Miliband's instrumentalism, Antonio Gramsci's relative autonomy of the state and hegemony, structuralism, and state monopoly capitalism. The post neo-Marxist section examines the form and functions of the state and Bob Jessop's synthesis of various neo-Marxist paradigms. Building upon Jessop's emphasis for the need to integrate various neo-Marxist paradigms, the author's theoretical framework of

business-government relations combines specific elements of the fore-mentioned theories.

Essentially, the author argues that if one wishes to comprehend how the concerns of a business interest group are translated into the "public interest", one must examine **how** the organization maintains cohesion and agreement. The ability of the organization to achieve this ensures partially that its constituency, in this case, monopoly capital interests in Canada, is able to maintain hegemonic dominance *vis-à-vis* other fractions and classes. Internal unity and consensus also explains how the group's policy concerns are presented to either the government and/or the civil service. The author also contends that a business interest group such as the BCNI must be interpreted as a "parallel bureaucracy" *vis-à-vis* the civil service. Both attempt to initiate and legitimize policies that perpetuate accumulation under the "public interest" *façade* of being responsive to various, sometimes conflicting concerns and seeking consensus. The BCNI's policy initiatives to the state are synonymous to influencing the larger national policy agenda.

Chapters Four, Five and Six, essentially "apply" the author's paradigm of business-government relations to the interactions between the business interest group and the civil service. Much of the analysis contained in these three chapters is based on Langille's article as well as the author's interviews with Jock A. Finlayson, Vice-President in charge of Policy and Research, Business Council on National Issues, conducted at the BCNI's Ottawa "head office" in August 1990. Chapter Four discusses the origins, structure and internal operations of the Business Council on National Issues. The analysis reveals that the Business Council is what is referred in the literature as an "institutionalized" interest group.⁹ It is able to communicate and legitimate members' concerns under the auspices of cohesion and consensus. Furthermore, the organization functions to legitimate state policies to those monopoly capital interests

that may be adversely affected, in terms of promoting the "general business interest", just as the civil service acts as a form of damage control, legitimizing policies to avoid fractional and class conflict for the benefit of the "public interest".

The introduction of Chapter Five refers to Gramsci's concept of hegemony and Jessop's hegemonic project. Both offer means by which the state can function to perpetuate accumulation for the capitalist class while also performing the apparently contradictory function of legitimizing these policies to the subordinate working class. These two seemingly contradictory purposes are unified by the state's ability to appear responsive to "popular interests" through particular hegemonic projects. Examples of hegemonic projects within the Canadian context include the "Free Trade Agreement", the "Goods and Services Tax", the "Meech Lake Accord", and the proposed Environmental Protection Policy. Jessop argues that hegemonic projects try to bring about agreement between different and conflicting specific and general interests. The author maintains that hegemonic projects function to uphold the long term interests of accumulation and dominance for the monopoly capital fraction within the context of state monopoly capitalism. However, the hegemonic project can also be analyzed as a method of achieving consensus and cohesion amongst the interests of monopoly capital themselves. The chapter discusses how the previously mentioned hegemonic projects maintain and perpetuate the *status quo* for BCNI members. These policies are also significant in that they help to clarify the ambiguity surrounding how the "business interest" is made synonymous with the "public interest".

Finally, Chapter Six discusses the author's neo-Marxist paradigm of business-government relations with specific reference to the interactions between the civil service and the BCNI. The majority of neo-Marxist writings on the state's functions assert that the state is a means of creating a common bond between key fractions of capital. In other words, the state's formulation and implementation of policies

conducive to accumulation ensures hegemonic dominance of the monopoly capital fraction. However, the author argues that the functions previously ascribed to the state can also be undertaken by a "parallel bureaucracy" such as the Business Council. This suggests the BCNI can be seen as a "semi-state" organization with respect to its functions of promoting policies which instil a sense of agreement and unity amongst its members as well as maintaining hegemonic dominance of the monopoly capital fraction. The BCNI occupies a position somewhere between civil society and the state as it is usually conceptualized in neo-Marxist literature.

The chapter continues to discuss how the BCNI membership's concerns for accumulation and hegemonic dominance of the monopoly capital fraction are actualized within the context of the policy process. Generally, the author's paradigm is supported by the contents of the interviews with Finlayson. There are, however, two important amendments to the author's preliminary neo-Marxist business-government relations paradigm. The first revision made to the original model is to include the Privy Council Office, comprised of senior civil servants, as a major force in policy formulation, and, therefore, an integral part of the BCNI's communication "network" with the Canadian state.

The second change in the author's originally presented paradigm is evidence suggesting direct interaction between the BCNI and the Federal Cabinet. The analysis serves to explain how monopoly capital interests are acknowledged by the Federal government's influential Priorities and Planning Committee. The legitimization function of Ottawa, particularly in terms of policy implementation, can be extended to resolving intergovernmental or interprovincial conflicts, thereby bringing about consensus for policies that reflect the interests of the monopoly capital fraction. Again, this discussion illustrates how the "general business interest" is equated with the "public interest".

ENDNOTES

- ¹W.T. Stanbury. *Business-Government Relations in Canada. Grappling with Leviathan*. (Scarborough, Ontario: Nelson, Canada, 1988), p. 172.
- ²William Coleman. *Business and Politics. A Study of Collective Action*. (Montreal: McGill-Queen's University Press, 1988), especially pp. 83-87.
- ³David Langille. "The Business Council on National Issues and the Canadian State", *Studies in Political Economy: A Socialist Review*, 24 (Autumn 1987), pp. 41-85.
- ⁴*Ibid.*, p. 50.
- ⁵*Ibid.*, p. 64. (Emphasis mine).
- ⁶*The New Canadian Political Economy*, Eds. Wallace Clement and Glen Williams. (Montreal: McGill-Queen's University Press, 1989), especially pp. 117-123, 184-186, 188-190.
- ⁷William K. Carroll. *Corporate Power and Canadian Capitalism*. (Vancouver: University of British Columbia Press, 1986), p. 186. See also, *The Structure of the Canadian Capitalist Class*, Ed. Robert J. Brym. (Toronto: Garamond Press, 1985), especially pp. 9-10.
- ⁸Langille, p. 52.
- ⁹For a definition of an "Institutionalized" Interest Group, see Kenneth Kernaghan. "Pressure Groups and Public Servants". *Public Administration in Canada: Selected Readings* 5th Ed., Ed. Kenneth Kernaghan. (Toronto: Methuen Publications, 1985), p. 309. and, A. Paul Pross. "Pressure Groups: Talking Chameleons". *Canadian Politics in the Eighties* 2nd Ed., Ed. Michael Whittington and Glen Williams. (Toronto: Methuen Publications, 1984), p. 288.

CHAPTER TWO: THEORY I

The following chapter briefly summarizes contending views of business-government relations in the context of the Elitist, Pluralist, Public Choice, Corporatist, and Instrumental Marxist paradigms. The roles of the civil service and business interest group(s) will be examined in articulating the "public interest". Within capitalist society, the framework through which these paradigms are presented, the public interest is synonymous to accumulation by the dominant economic group and legitimation. The state, through its activities, formulates and implements policies into rules or laws which facilitate greater profits for capitalists, while maintaining consensus among conflicting classes. The state's legitimation role includes establishing and perpetuating the *status quo*. Accordingly, the state's neutrality (or lack thereof) in the process will also be considered. Finally, each paradigm is critically evaluated in terms of being a cogent and comprehensive framework for the analysis of business-government relations.

ELITISM

This paradigm begins with the proposition that there are two major groups in society: the elites and the masses.¹ The elites comprise a minority of society's members, but make all crucial political decisions for the masses. Consequently, the elites can be seen as ruling over the majority. The paradigm further assumes that large, complex organizations are inherent in almost every facet of modern society.² What special characteristics do these organizations possess which provide members of the elite with such a potential source of power? According to Gaetano Mosca, the control an elite exerts is dependent upon its ability to coalesce into a cohesive force.³ Similarly, Robert Michels contends that the elite's ability to control depends on its

organizational prowess -- hence, his famous political creed: "Who says organization says oligarchy".⁴

Therefore, such factors as expertise, hierarchical control, and the capability to distribute human, technological, and material resources allocate power to bureaucratic elite members.⁵ What is crucial to note at this point is that the fore-mentioned prerequisites for elite control can also be used by organizations external to the state. For example, if an interest group, such as the Business Council on National Issues, is to interact effectively with the Federal civil service, it must become a "parallel bureaucracy" in terms of knowledge, resources, cohesiveness, and control. The interaction between Federal Public Servants and the Business Council on National Issues will be to maintain and perpetuate the *status quo* for their particular elites in capitalism. Consequently, both groups have a common goal: creating a specific "public interest" in which their elite dominance is maintained at the masses' expense. The state, insofar as it is identified with the civil service, is not neutral in the elitist *scenario*. The question that begs to be asked is: what is the structure of the state which facilitates elite interaction and a bias in defining the "public interest"? Within the elitist paradigm, the structure of the state is comprised of a group of large-scale organizations, each based on a separate institutional sector.⁶ These elites manipulate the political base, although it is unclear through what specific means this control is achieved and maintained.

There are several other conceptual problems which render the elitist paradigm as insufficient in explaining business-government relations. For example, elitism tends to ignore the uneven amounts of power held by different bureaucratic organizations.⁷ This problem can be applied to various business interest organizations such as the Business Council on National Issues *vis-à-vis* the grass-roots-oriented

Canadian Federation of Independent Business. It can also be used to evaluate the relative sources of power among the state's bureaucratic organizations. The mandate of most business interest groups is to facilitate capital accumulation and, consequently, members will interact with such state bureaucratic organizations as the Treasury Board, Energy Mines, and Resources, or Finance more frequently than the Ministry of State for Multiculturalism. This bureaucratic organization is more suited towards social cohesion than capitalist accumulation.

The elitist paradigm considers the state as a monolithic power bloc, whose elite members share the common goal of capital accumulation. There is no indication of a conflicting dichotomy between those bureaucratic organizations within the state concerned with capital accumulation *vis-à-vis* legitimation and social cohesion. It is only the public choice paradigm which acknowledges this split among the state bureaucratic elite. Furthermore, how are the mutual interests of a business pressure group and the civil service justified in terms of "the public interest"? The paradigm depends too heavily on elite maintenance, which in a capitalist system would be equated with accumulation, without taking into account how the state's form and function legitimate elite interests.

Another shortcoming of elitism with reference to the interaction between business interest groups and the civil service is that it fails to explain adequately, or even take into account, the existence of counter-elites. In this context, counter-elites refer to such groups within the bourgeois class as monopoly and non-monopoly capital. How does the state acknowledge which interest(s) among these competing and conflicting groups will be dominant? Finally, the fore-mentioned elite analysis assumes that bureaucratic organizations predominate over political ones within the state. How is this possible since political parties are considered elites also? The answer lies in the bureaucratic elite's monopoly on expert knowledge with reference to the

policy process, the permanent status they enjoy *vis-à-vis* politicians, and, a sense of non-partisanship which enables the civil service to articulate "the public interest". It is also precisely for these reasons that the Business Council on National Issues is most likely to interact with senior members of the Federal civil service.

PLURALISM

Unlike elitism, pluralism is based on the assumption that society is composed of a myriad of interest groups, each competing with one another to have its needs translated into public policy by the state.⁸ Power, in the form of expertise, human, technological, and material resources is distributed among the interest groups, including those of business. Given the emphasis on competition and dispersed power, the pluralist paradigm suggests a constantly changing environment in which interest group success depends on the salience of the single issue being advocated, the level of organization, and playing by the "rules of the game". In the universe of business interest groups, one of the cardinal rules of the game is: "Thou shall promote only those issues which support the capitalist *status quo* of accumulation and bourgeois domination." For weak or poorly organized interest groups, power is exercised only through the mechanism of voting.

The state's primary function within the pluralist paradigm is to bring about "consensus" and social order through the on-going bargaining process of interest group demands and government responses.⁹ The role of the state, and, by extension, the civil service, is that of a neutral arbiter among competing interest groups. Business interests do not form a cohesive, unified organization as in the elitist paradigm. Rather, they are divided into various competing interests such as resources, manufacturing, financial, and foreign business organizations that compete with other

groups in society. The result of the interest group struggles within pluralism will be policy formulated and implemented by the state which reflects the "public interest", as expressed through the democratic process.

The fore-mentioned pluralist description of interest group competition in articulating the public good through the auspices of a neutral state leaves much to be desired. Contrary to the pluralist contention of equally competing interest groups, there is an imbalance of power for those organizations which have a larger vested interest in the state's policy formulation and implementation. For example, in a capitalist system, business interest groups have the organization and resources to effect the shape and outcome of state policy since capital accumulation and legitimation of the pluralist system is what their dominance depends upon. The lack of a cohesive business organization, as found in the elitist paradigm, however, means that the interaction between the state and interest groups will produce incremental and single-issue policies. The state's role as a neutral arbiter is also highly contentious within pluralism. One wonders at the type of consensus or "common good" a state within pluralism articulates if organization is equated with power, and both seem to be held exclusively by either public or private bureaucracies. Clearly, within the pluralist paradigm, effectiveness is homologous to organization. The needs of organized interest groups, especially those of business, not the unorganized masses, will comprise the "public interest".

William Coleman analyzes policy networks between business organizations and the state under such conceptual labels as "pressure pluralism", "co-optive pluralism", and "clientele pluralism".¹⁰ He argues eloquently that the structure of a given policy network will vary according to such factors as organization of the state, organization of business, distance between business and the state, and the relationship between associations and their members. Unfortunately, his analysis lacks comprehensiveness

and cogency since it fails to take into account or explain how or why certain issues are formally recognized in the pluralist agenda-setting process.

What Coleman and others fail to address is what is referred to by Peter Bachrach and Morton S. Baratz as "non-decision making".¹¹ Non-decision making attempts to explain why specific issues are excluded from the agenda-setting process within the pluralist framework. The rules of the game, mentioned previously, by which all interest groups mutually abide, ostensibly ensure consensus and an equilibrium of power. Only those issues that maintain and perpetuate the current *status quo* for organized dominant groups will be considered by the neutral state. This implies that an interest group, such as the Business Council on National Issues, because of its organization's mandate, is more likely to have its policy initiatives considered and implemented by the state, than another faction which calls for the systematic dismantling of the entire capitalist system. Furthermore, non-decision making draws attention to the fallacy contained within the pluralist paradigm that all interest groups have equal opportunities and resources in the decision-making process. It has also been correctly pointed out that the term "non-decision " is a misnomer since, in this context, the term can describe issues that the state has decided to suppress or not acknowledge. However, the concept remains a powerful and cogent argument which pierces the pluralist *façade* of equal competition among all interest groups, and of a neutral state.

PUBLIC CHOICE PARADIGM

This paradigm, like pluralism, is founded upon the concept of competition. The difference between pluralism and public choice is that the latter stresses the maximization of individual, not group, utility.¹² There are two fundamental constraints:

under which an interest group such as the Business Council on National Issues and the Civil Service must interact within the public choice system.¹³ The first constraint is that any policy formulated and implemented by the state will reflect the needs of only certain interests. Hence, state policy is inherently coercive since one interest group will benefit at the cost of another. Even though all interest groups compete to have their concerns placed on the state's policy agenda, the winners of this process will make up only a select minority of the "general public". The public choice paradigm assumes that the decisions arrived through this process will reflect the needs of the public. Accordingly, the second constraint placed on the public choice system is that the policy-making process involves establishing a consensus among conflicting interests.

There are two important questions to consider when examining the role of interest groups within the public choice paradigm.¹⁴ The first question is concerned with the conditions under which interest groups form and survive. In the public choice system, the individual calculates the costs and benefits of acting in a collective organization. If these benefits are higher through the organization's activities, the individual perceives it is therefore more efficient, and rational to engage in this type of interest articulation. It is important to qualify the rationality of the group's activity, in that each member must pay the same costs as well as receive equal benefits to avoid the "free rider" problem. The free rider problem occurs when certain members of the interest group organization receive the same benefits as others without having incurred the costs. The most efficient way to avoid this problem is to form a small and cohesive interest group that organizes and utilizes its collective resources equally among all its members. This logic is reflective of the interest group's organization within the elitist paradigm. The membership of the Business Council on National Issues includes the elite or leading corporations in resources, manufacturing, and finance.¹⁵

The second question involves the specific means through which interest groups exert their influence. The first mechanism used by interest groups is to alert the voter's attention for or against a particular policy through the media. This may serve as a buttress in providing a sense of legitimation for the interest group's concern without having to extend the immediate gains to the masses. Consequently, members of the interest group reap the benefits of public support while simultaneously shifting the cost onto the masses. Secondly, interest groups provide industry expertise (although it may be contentious or biased) to the state's decision-makers, usually Ministers or senior bureaucrats. The logic of this activity is the interest group's hope that politicians and civil servants will formulate and implement policies that take into account the organization's needs. On other occasions, special interest groups possess information that officials with policy advisory responsibilities require.¹⁶ The symbiotic relationship involves the interest group trying to convince the officials of the validity of its cause in the hope that this will have a positive influence on the policy advice put forward by officials. Thirdly, reciprocity may be offered to politicians and/or bureaucrats for an advantageous decision regarding the interest group's concern(s), or withdrawing its special privileges. The interest group may accommodate the government by promising electoral support or providing financial assistance to the political parties. These two sources of support can be interpreted as interest groups, including business, making optimal use of their resources and interaction with the state. In this instance, politicians and bureaucrats will be used to initiate and influence policy formulation and output to serve the needs of business. These needs involve capital accumulation and legitimation, yet they can also be sources of conflict within the state, as will be discussed later. Finally, interest groups participate in the regulatory proceedings of the state.

Along with the competition among individual and, not, group interests, the

public choice paradigm differs radically from the pluralist assumption of the state being neutral. Capitalism, as defined by the pursuit of self-interest is not limited to interest groups, but involves such actors as politicians and bureaucrats. Politicians, for example, use voter maximization and expediency in the policy process to obtain and maintain positions of power, prestige, and status. Two of the methods by which these political ends can be achieved are through the reciprocal activities, mentioned in the previous paragraph, that elected officials and interest groups engage in.

Bureaucrats use power and knowledge regarding the policy process to perpetuate their own self-interests in terms of empire-building. Empire-building, as an expression of pursuing self-interest, can lead to a conflicting dichotomy between bureaucrats seeking maximization of self-interests through capital accumulation roles and those in departments with legitimation and social cohesion functions. The state is not a cohesive, unified structure as in the elitist paradigm. There are two major consequences of this division. First, how does the civil service fulfill its function of articulating and maintaining the "public interest" through its policies, given that individual departments within the state focus their resources toward capital accumulation or legitimation and social cohesion, but not both. This is particularly crucial since it is precisely the delicate balance of accumulation and legitimation that business interest groups will expect the state to embody in its "public interest." The 'public interest' *façade* must be used on the masses and rival interest groups to justify the dominant interest group's hegemony. Herein lies one of the problems with the public choice paradigm. Since different interest groups and individuals have divergent and possibly conflicting interests, who will eventually achieve dominance?¹⁷ What are the means by which winners and losers are articulated on a specific issue? This problem is exacerbated in the public choice paradigm since not even the state is a neutral arbiter between competing interests.

Another fundamental problem with the public choice paradigm is the over-emphasis of efficiency and rationality as **both** a means and an end in upholding the public interest.¹⁸ If the public interest translates into maintaining the *status quo* towards capital accumulation, then public policy can be both efficient and effective. But how does one apply efficiency to the legitimation and social cohesion function of public policy, without possibly resorting to overt state coercion? Clearly, both capital accumulation and legitimation are equally integral parts of the "public interest." The pursuit of self-interest that the public choice paradigm supports compromises not only the state but business organizations' efforts in reflecting the "public interest."

CORPORATISM

Corporatism can be defined as a political structure in which members of the state, labour, and business elites converge to work out policies that will minimize the inherent conflicts and contradictions of the capitalist system, such as the relations between capitalists and workers.¹⁹ Both business and labour interest groups are treated as equal partners by the state. Again, as in most of the paradigms discussed previously, the co-operative efforts of these diverse organizations will be to establish consensus and the "public interest." The state in corporatism, like pluralism, is a neutral arbiter between business and labour interest groups. The interaction between the state, as the dominant partner, and business interest group(s) is focused towards achieving the following goals: order, unity, nationalism, and success.²⁰

Leo Panitch contends that the formation of interest groups, such as the Business Council on National Issues, has been through the state's approval in an effort to increase the close proximity between these two organizations.²¹ The reasoning behind this is to have the business interest group act as a centralized organization, not only

suggesting possible policy concerns to the state, but justifying state policies to its members. What is interesting to note in this context is the business interest group acting as a parallel bureaucracy to the state, a concept that was originally discussed under elitism. Corporatism, like elitism, also assumes a cohesion of business interests. Furthermore, Panitch concurs with Claus Offe's analysis that fractional interest groups within the capitalist class are unnecessary for legitimation purposes since this is already insured by their existence within a capitalist system.²² The problem with this line of reasoning is that it explicitly assumes that fractional interest groups within capitalism are not competing or conflicting. It is also important to note that the legitimacy granted to the capitalist class is not absolute, but must be interpreted and reflected by state policies in the "public interest." Corporatism, with its emphasis on interactions between business, labour, and the state, is a possible forum through which this can be achieved.

One of corporatism's major problems, like that of pluralism, and, public choice, is that the state is clearly not a neutral arbiter between the conflicting interests of business and labour.²³ For instance, given the dynamics and structure of the capitalist system, business group concerns must be considered dominant over those of labour. Therefore, the interactions within corporatism are between the state and business interest groups only at the exclusion of the labour elite. Perhaps this is because the activities of the participants within corporatism focus too much on capital accumulation without considering the legitimation component of consensus. Corporatism does not present any viable means through which there is a balance of power between the participants. The assumed stability of corporatism is also open to debate. Essentially, these problems can be reduced to the state's inability to produce consensus or the "public interest" that address conflicts between capital and labour in an equal and unbiased manner.

Another inherent shortcoming of corporatism is the rather ambivalent status given to the state as an arbiter of conflicting interests. If for example, the state is placed within the realm of civil society, its ability to reconcile the conflicting interests of labour and business is highly suspect. Yet corporatism, as a political system, suggests that the state, business, and labour organizations meet as equal partners. In this respect, the state is not autonomous. However, the autonomy of the state would be necessary if it is to reconcile the concerns of business and labour in an unbiased fashion. It has been advocated that the state, within corporatism, must be "relatively autonomous", representing the "public interest."²⁴

INSTRUMENTAL MARXISM

The final paradigm to be discussed in this chapter is Marxism. This paradigm is founded upon the idea that the base determines the superstructure.²⁵ This means that the base or economic organization of production, commerce, and consumption will have a direct influence on the superstructure organization of civil society and the state. Within a capitalist framework, there are two major classes within society -- the bourgeoisie (capitalist) and the proletariat. The bourgeoisie owns the means of production and the proletariat supplies the labour function to the system. Labour is always subordinate to the interests and needs of the capitalists since power is monopolized by the class which profits from the social structure of a specific historical period.²⁶

The function of the state within Marxism is to aid in capital accumulation and legitimize the dominance of the bourgeoisie within civil society. The state has various means at its disposal to attain these ends, including the justified use of coercion towards the proletariat class. The members of the state's bureaucracies formulate and

implement public policy to defend the capitalist *status quo*.²⁷ Such policies are legitimized to the working class under the *façade* of the public interest. Marxism is one of the paradigms, along with elitism and public choice, discussed thus far, that explicitly assumes that the state is not neutral and is used as a direct instrument of the capitalist class. This is why Marxism is sometimes referred to as an instrumental view of the state. The relationship between business interest groups and the state is strongly business-dominated.²⁸ State policies are always highly advantageous to the capitalist class at the expense of the proletariat. Like corporatism, the public interest within instrumental Marxism is maintained by the state and business elites, at the exclusion of labour.

One of the major criticisms of instrumental Marxism is the crude, deterministic, and "vulgar" representation of class relations within capitalist society. The paradigm lacks a certain *finesse* in its analysis of the often subtle forms of conflict found within capitalist society. This is the major amendment that neo-Marxist paradigms, which will be discussed in the following chapter, attempt to correct in their analyses. For example, Marxism assumes that the classes within capitalism are cohesive, homogeneous groups.²⁹ This line of reasoning is not cogent, especially when discussing the membership of various business interest organizations. The Business Council on National Issues represents such monopoly capital interests as resources, foreign investment, manufacturing, and finance. The problem is made more acute when there is inherent conflict among the various capitalist interests. How does the business interest organization represent these competing concerns in its interactions with the civil service? How does the civil service reconcile the conflicting concerns in policies that, ostensibly, adequately and validly reflect the public interest?

Another drawback of Marxism is its heavy reliance on the state's function as an

instrument of the bourgeoisie for capital accumulation and legitimation. The validity of the state in articulating and maintaining the "public interest" for all classes within society is compromised. Clearly, if the state is to be anything more than a direct instrument of bourgeois interests, it must transcend the conflicts of civil society and become "relatively autonomous". This is particularly important for the civil service's role of being responsive to the diverse and conflicting interests of all groups within society, including business. The state, through its policies, must somehow maintain a delicate balance between addressing business concerns, while simultaneously justifying its actions in terms of the public interest.

CONCLUSION/SUMMARY

Business-government relations, in terms of the interactions between members of the civil service, and business interest organizations have been examined within the context of Elitism, Pluralism, Public Choice, Corporatism, and Instrumental Marxism. All of these paradigms fall short in presenting a concept of the state as a neutral arbiter among competing and conflicting interest groups. Generally, the paradigms represent the state as an instrument for perpetuating the *status quo* for the benefit of private or public bureaucratic organizations. How can the public interest be articulated and perpetuated in this context? Furthermore, it is not clear from the logic of these paradigms how the state adopts a particular form and function to maintain the dominance of a particular interest group. Finally, how does the state interpret the public interest through the auspices of capital accumulation and legitimation? The next chapter examines these problems by analyzing various neo-Marxist and post neo-Marxist paradigms.

ENDNOTES

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⁴*Ibid.*, p. 42. See also, Robert Michels, *Political Parties: A Sociological Study of the Oligarchical Tendencies of Modern Democracy*.

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⁵Alford in Lindberg, *et al.*, p. 147.

⁶*Ibid.*, p. 147.

⁷*Ibid.*, p. 151.

⁸V.V. Murray and C.J. McMillan, "Business-Government Relations in Canada: A Conceptual Map", *Canadian Public Administration*, Volume 26 (Winter 1983), p. 599.

⁹Alford in Lindberg, *et al.*, p. 148.

¹⁰William Coleman, *Business and Politics: A Study of Collective Action*. (Montreal: McGill-Queen's University Press, 1988) pp. 69-75.

¹¹Parry, p. 130. See also, Robert J. Jackson, Doreen Jackson, and Nicolas Baxter-Moore, *Politics in Canada: Culture, Institutions, Behaviour, and Public Policy*. (Scarborough: Prentice-Hall Canada, Inc., 1986), pp. 580-581, and Peter Bachrach and Morton S. Baratz, "The Two Faces of Power", *American Political Science Review*, Vol. 56, No. 4, (December 1962), pp. 947-952.

¹²Michael J. Trebilcock, R.S. Pritchard, D.G. Hartle, D.N. Dewees, *The Choice of Governing Instrument: A Study Prepared for the Economic Council of Canada*. (Ottawa: Minister of Supply and Services, 1982), p. 6.

¹³*Ibid.*, pp. 4-5.

¹⁴*Ibid.*, pp. 8-9.

¹⁵Coleman, p. 84.

¹⁶Trebilcock, *et al*, p. 15.

¹⁷Jackson, *et al*, p. 583.

¹⁸Trebilcock, *et al*, p. 18.

¹⁹Coleman, p. 76.

²⁰Murray and McMillan, p. 599.

²¹Leo Panitch. "Corporatism in Canada", *Studies in Political Economy: A Socialist Review*, Number 1 (Spring 1979), p. 79.

²²*Ibid*, p. 80. See also, Claus Offe, "The Attribution of Political Status to Interest Groups: Some Observations on the West German Case", Discussion Paper presented to the Social Science Research Council, Committee on Western Europe, Conference on Interest Group Representation, (New York 1977), p. 26.

²³*Ibid*, p. 46.

²⁴Coleman, p. 76. See also, Murray and McMillan, p. 599.

²⁵Murray Knuttila, *State Theories From Liberalism to the Challenge of Feminism*. (Toronto: Garamond Press, 1987), p. 95.

²⁶Alford in Lindberg, *et al*, p. 148.

²⁷*Ibid*, p. 148.

²⁸Murray and McMillan, pp.597-598, 601.

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CHAPTER THREE: THEORY II

This chapter outlines and examines business-government relations within the framework of certain neo-Marxist and post neo-Marxist paradigms. The neo-Marxist paradigms to be analyzed include: instrumentalism, Antonio Gramsci's relative autonomy of the state and hegemony, structuralism, and state monopoly capitalism. The form and functions of the state, as well as, Bob Jessop's synthesis of various neo-Marxist paradigms will comprise the post neo-Marxist section. The final part of the chapter reveals the author's paradigm of business-government relations, combining specific elements of neo-Marxism and post neo-Marxism.

The framework of analysis is similar to the previous chapter, that is the role of the civil service, and business interest groups in articulating and maintaining policies conducive to capitalism under the "public interest" *façade*. Unlike the paradigms examined in chapter two, both neo-Marxism and post neo-Marxism explicitly assume that the role of the state is to maintain and defend the capitalist *status quo* for business interest organizations, rather than being a neutral arbiter of competing interest groups within society. Each paradigm is also scrutinized in terms of conceptual problems and shortcomings.

NEO-MARXIST INSTRUMENTALISM

Instrumentalism is a neo-Marxist critical response to the pluralist paradigm. Its assumptions are fleshed out most extensively in the writings of Ralph Miliband. According to Miliband, the capitalist class is composed of several economic elites.¹ The competition among these elites affects the political process, in that the system will discern which group's interest(s) will be accommodated by the state. However, this does not preclude the separate elites from maintaining a cohesive and dominant class

with a common interest in perpetuating the *status quo* for capitalism. Like his precursor, C. Wright Mills, Miliband is concerned with the question of whether the capitalists' ownership and control of crucial economic sectors can also be translated into controlling the means of political decision-making.² The problem with this line of reasoning is that it assumes elite cohesion within the political realm. How does the plurality of economic elites fit into Miliband's logic? If political decision-making represents a plurality of economic interests, Miliband is reverting to pluralism instead of offering a neo-Marxist critical analysis.

The state is defined by neo-Marxist instrumentalism, not as a cohesive power bloc, but rather separate institutions.³ The source of state power originates from such institutions as the government and the civil service. Furthermore, Miliband is quite perceptive when he argues the government is *invested* with power but the civil service *controls* power within the state.⁴ The civil service's source of control is founded upon its "relative autonomy" from other state institutions. This relative autonomy is based upon such factors as the pervasiveness of the civil service, the lack of any division between the political and administrative branches regarding the policy process: that is, the civil service formulates and implements public policy. The politically neutral *façade* of the civil service, as well as its permanence *vis-à-vis* elected officials, and its monopolization of expertise and knowledge being a source of power are also important in this context.

Miliband also claims that the interaction between business interest groups (such as the Business Council on National Issues) and the upper echelons of the civil service, as well as the government, occurs when individuals from business "colonize" the state apparatus.⁵ In effect, members of the economic elites use the state apparatus as an instrument to influence externally or to formulate and implement policies

internally to reflect their capitalist interests. Again, building upon the theories of C. Wright Mills, Miliband postulates that there is a single oligarchy composed of personnel with similar socio-economic background, education, and interests that move fluidly between the realms of business, public service, and the government.⁶ Miliband's line of reasoning is too deterministic and reductionist in this instance, since the instrumental function is oriented towards capital accumulation without taking into account the equally crucial role of legitimation.

Since the "public interest" is synonymous with the business elites' interests, the state, and by extension the civil service, is not neutral.⁷ Contrary to the pluralist paradigm, Miliband contends that interest groups representing capital and labour do not compete on equal terms.⁸ Within a capitalist framework, the concerns of business will always have a higher priority in the state's agenda-setting process than the interests of labour. This is also reflective of Marx's original assumption, that within capitalism, the base determines the superstructure.

Finally, since the state is not a cohesive power bloc, *per se*, business interest groups will attempt to interact with the executive or administrative echelons of the state and not the legislature.⁹ This is because the executive and administrative apparatus of the state hold the power to initiate and implement public policies. Business interest groups must voice their concerns at the formative stages of public policy making to either the civil service or the political executive. Once a public policy reaches the legislature, it is "cast in stone" and impervious to all but minor technical changes. Maintaining the capitalist *status quo* to reflect business interests is hardly attainable through minor technical changes in policies. Clearly, in the policy process, power is concentrated at either the executive or administrative levels. The legislature has no autonomy from this power nor is it a counterbalance, but rather it is a rubber

stamp for the executive or administration's will.

In addition to the problems outlined thus far, instrumentalism has the following shortcomings in presenting an adequate and cogent paradigm of business-government relations. Instrumentalism offers a criticism of the pluralist paradigm, but not an alternative to it.¹⁰ Too often Miliband's arguments are trapped within the pluralist snare that presents no conceptual escape. Miliband's critics also point out that instrumentalism does not take into account such state activities as legitimation which is not manipulated by capitalists, *per se*.¹¹ However, it is important to qualify Miliband's assumption in this context. Legitimacy, within instrumentalism, refers to the capitalist *status quo* and not specifically to the hegemonic dominance of a particular capitalist fraction. Consequently, all capitalist fractions have a vested interest in maintaining and perpetuating the capitalist *status quo*. The alternative to instrumentalism, within a neo-Marxist framework, and which has inspired prolific writings, is the structuralist paradigm. Before structuralism can be examined, it is essential to discuss briefly Antonio Gramsci's theories, which provide a prologue.

ANTONIO GRAMSCI: RELATIVE AUTONOMY OF THE STATE AND HEGEMONY

Throughout his writings, Antonio Gramsci emphasizes that the state's form and function cannot be reduced to the economic determinism of vulgar Marxism. Instead, he accentuates the salience of political forces and ideological practices, whose specific form and impact are relatively autonomous from overt manipulation by the capitalist class.¹² For example, Gramsci maintains that the impact of economic crises depends on the strength of the institutions of civil society, political institutions and the resulting balance of social forces. The catalyst for capitalism's ability to reproduce its class domination is the political and ideological "superstructure" and the relations inherent

among these forces.

The state is seen as a class force which functions in organizing class domination as well as maintaining the long-run interests of the bourgeoisie.¹³ These long-run interests are served by facilitating concessions to the subordinate classes from the bourgeoisie and bringing about voluntary acceptance of the *status quo* by the proletariat. The relative autonomy of the state functions to maintain a delicate balance of seeking short-term concessions from the capitalists to labour in order to perpetuate the long-term interests of the dominant classes. The emphasis on the state's legitimation function renders Gramsci's insights to the relative autonomy of the state both cogent and profound. This line of reasoning can also be applied to the civil service's ability to articulate the public interest by being responsive to the diversified concerns of society and attempting to bring about a consensus.

Unlike Miliband, Gramsci does not attribute the activities of the state to the interests of a particular class or identify all political subjects as class subjects.¹⁴ Gramsci is more interested in discerning how political support is maintained or weakened through economic, political, and ideological practices that transcend class relations to include broader social relations. An example within this context might be the *raison d'être* of the civil service in maintaining and perpetuating the "public interest." Gramsci claims that political support is attained through the medium of hegemony.¹⁵

Hegemony includes not only the effective mobilization and reproduction of the "active consent" of the ruled by the dominant class through intellectual, moral, and political leadership but, rather, taking systematic account of "popular interests" and demands. It further includes shifting positions and making concessions on secondary issues (those concerns not directly related to the short-term advantage of capital

accumulation) to uphold support and alliances in an inherently fluctuating and tenuous system of political relations. This must be accomplished without foregoing the primary interests of the dominant class and organizing the popular support for accomplishing national goals, which serve the primary long-term interests of the dominant group. The civil service is adroit at maintaining hegemony through its political neutrality, permanence in office *vis-à-vis* elected officials, monopolization of information and expertise resulting in power, and finally being responsive to the needs of the public. Therefore, Gramsci successfully combines the concepts of hegemony and the relative autonomous state as means of maintaining capitalist domination.

STRUCTURALISM

As stated previously, structuralism is an alternative neo-Marxist paradigm that attempts to transcend the conceptual problems of instrumentalism. Nicos Poulantzas extends Gramsci's concept of the relative autonomy of the state, contending that the economic fractioning of the bourgeoisie, into non-monopoly and monopoly sectors, such as resource, manufacturing, financial and foreign interests, can only be overcome by a state which displays its own internal class unity and institutional autonomy *vis-à-vis* dominant class fractions.¹⁶ It is important to note at the beginning of this discussion that the term "structure" does not refer to the actual social institutions within society, but rather to the systematic functional inter-relationships among these institutions.¹⁷ The "relative autonomy of the state" within structuralism refers to its relative autonomy from manipulation by specific capitalist class members of society.¹⁸ Structuralists do not, however, argue that the state is relatively autonomous from the structural requirements of society. Within capitalism, for

example, these structural requirements refer to accumulation, legitimation, and cohesion.

Structuralism represents two crucial points of departure from vulgar Marxism and instrumentalism. First, unlike the fore-mentioned paradigms, structuralism, through its concept of relative autonomy, rejects any direct manipulation of the state by members of the capitalist class. Second, but equally important, structuralism recognizes that the capitalist class is not a cohesive group, but is composed of antagonistic rival "fractions". The conflicting concerns of these competing capitalist fractions will be discussed more extensively in the context of the interactions of the Business Council on National Issues and the civil service.

Poulantzas also enlarges on Gramsci's role of hegemony by deriving it from the institutional matrix of capitalism as a whole.¹⁹ The institutional matrix refers to how the functional inter-relationships of social institutions reflect the specific phase of capitalism and the intensity of the class struggles. He relates the concept of hegemony to the dichotomy of the public sphere of politics and the private realm of civil society, which is considered the site of economic relations. The problem with this line of reasoning is that it is unclear what mechanisms, if any, serve to coordinate or unite the interests and activities of the public and private spheres. Consequently, the state is not so much "relatively autonomous" as "relegated to isolation" within the structuralist paradigm.

Class relations are structurally absent from the organization of the capitalist state and its activities are oriented toward procuring cohesion among "individuated" citizens.²⁰ Recall that structuralism explicitly assumes the fractioning of social classes within capitalism. Consequently, the individual is also unable to become part of a cohesive, unified social class. It is also crucial to remember that structuralism claims that the state is relatively autonomous from overt manipulation by the capitalist class.

Therefore, the bureaucracy can appear as an **impersonal, neutral institution, embodying the general interest** according to a hierarchically structured and centrally coordinated system of formal, general, universal, codified rational-legal laws. The administration relies on the economically grounded monopoly of force and the lack of overt political domination of its control; that is, elected officials depend on the civil service's knowledge and expertise. Poulantzas also declares that the purpose of heads of the state apparatus, who ostensibly serve as formally impartial representatives of the public and national interest, must be re-interpreted by their *de facto* polarization around different fractional concerns within the power bloc.²¹ One wonders how the "general interest" *façade* is maintained in this case?

Structuralism also faces the following conceptual hurdles that it is unable to overcome. Poulantzas, like Gramsci, is overly deterministic regarding his analysis of how political class domination is established within the rudimentary institutional forms of capitalism and how dominant fractions establish their hegemony through specific political and ideological practices.²² What is at issue in this instance is how the state becomes aware of which competing capitalist fraction achieves hegemonic control and orients its activities towards this dominance. The state's relative autonomy does not suggest capitalist manipulation, but rather, distancing itself from the conflicting interests of civil society. The very concept of relative autonomy becomes redundant since there are two "major" classes in capitalism and only two possible effects of state power.²³ These possible results of state power are either the reproduction of the capitalist mode of production or the transition to socialism. Since the latter is eliminated, then the former must prevail. This criticism holds merit but it must be remembered that structuralism categorizes the capitalist class into splintered and competing fractions, rather than the revisionist, vulgar Marxist label of "major"

(and, hence, cohesive?) classes.

In his later discussions, Poulantzas considers the relative autonomy of the state as the total of the relative autonomies directed by various branches and autonomies.²⁴ However, the cohesion and unity of state power is severely limited in the contradictory and conflicting relative autonomy of those branches of the apparatus concerned with capital accumulation *vis-à-vis* legitimation. On other occasions, Poulantzas' argument appears to vacillate between the state's relative autonomy or the contingencies of political class struggle.²⁵ For example, in the paradigm of hegemony, Poulantzas sometimes identifies the hegemonic fraction with reference to the particular form the state adopts to reflect that group's interests. However, he also identifies the hegemonic fraction with reference to the specific political and ideological interests of the power bloc. This criticism questions Poulantzas' priorities regarding the paradigm of hegemony. Does the state's form directly influence the specific group which will be hegemonically dominant and its ability to organize and articulate its interests, or, conversely, will particular hegemonic interests within the capitalist fractional struggle influence the form of the state?

One of the ambiguities that is inherent in both instrumentalism and structuralism is their inability to analyze **how** the state decides upon its priorities and actions within the framework of capitalism.²⁶ The paradigm of state monopoly capitalism attempts to address this problem.

STATE MONOPOLY CAPITALISM

State monopoly capitalism is founded upon the proposition that neither instrumentalism nor structuralism is complete since they both analyze the state's activities from an **external** perspective.²⁷ Claus Offe argues that instrumentalism

attributes the state's actions to the result of the external manipulation of the state apparatus by the ruling class. The structuralists do not advance a radically different perspective since they argue that the state's activities merely reflect the conflicting relationships of external social institutions. Offe's analysis is concerned with discovering the **internal mechanisms** of the state which reflect its class character.

State monopoly capitalism is defined as a distinct stage of capitalism, characterized by a fusion of monopoly forces with the bourgeois state to form a **single mechanism of economic exploitation and domination**.²⁸ The state's activities show a preoccupation with accommodating the interests of monopoly capital groups by almost or completely omitting the concerns of other non-monopoly capitalist fractions. Within this perspective, the conditions for accumulation for the capitalist class, as in structuralism, are fractured into the conflicting interests within and between monopoly and non-monopoly capital. The struggle for each group to achieve hegemonic dominance means that the capitalist system, within which each fraction operates, runs the risk of becoming impotent. A relatively autonomous state, with its emphasis on rational policies from the perspective of capital as a whole, is a means through which the state can maintain some sort of damage control between the opposing fractions.

Offe argues persuasively that such policies cannot depend upon any compromises or concessions of competing capitalist interests but must be organized to preserve the collective capitalist interest.²⁹ Clearly, the only mechanism available to instigate this is the capitalist state. A relatively autonomous state is necessary so that it can act on behalf of the interest of monopoly capital in general and negate the interests of particular capital fractions. *Parti Communiste Française* economist, Phillipe Herzog, claims the relative autonomy of the state within this paradigm is derived from its relative independence of administration *vis-à-vis* government.³⁰

This logic reflects Miliband's dichotomy of the state between the government, which is invested with power, and the civil service, which controls power.

James O'Connor contends that the capitalist state must try to accomplish the contradictory tasks of accumulation and legitimation.³¹ The policies of the relatively autonomous state must encourage capital accumulation while discouraging unrest by those groups within society who do not benefit from the *status quo*. The contradiction between these two functions becomes increasingly apparent in the monopoly capital phase since, while both accumulation activities and legitimation require more and more government expenditure, profits are increasingly concentrated in fewer, private hands.³² According to O'Connor, this imbalance results in a fiscal crisis. State monopoly capitalism intensifies this inherent problem of accumulation and legitimation.³³ Under state monopoly capitalism, the growth of monopoly capitalism results in a congruent rise of state activities regarding accumulation and legitimation. The ensuing increase of the state's activities means a cause of increased growth for the monopoly sector as more of the costs, but not the benefits of accumulation, are shifted to the masses.

State monopoly capitalism offers an alternative to instrumentalism and structuralism by attempting to provide insights into the internal mechanisms of the state which reflect its class character. The paradigm has a couple of conceptual difficulties, which will be discussed briefly here. One of the criticisms of state monopoly capitalism points out that, since the state acts to overcome the problems and contradictions exclusively for the benefit of one fraction, it consequently aggravates them for other capital fractions.³⁴ However, this line of reasoning seems to be reverting to the reductionism and instrumentalism of vulgar Marxism. For instance, both the relatively autonomous state and a business interest group, such as the Business

Council on National Issues, can use a common, "public interest" *façade* to counter this problem. Critics also argue that if the state within state monopoly capitalism intervenes in defence of the collective interests of capital, it still requires political support (read: legitimacy) to implement these policies.³⁵ Consequently, the state cannot avoid favouring one capital fraction over another. This criticism can be countered by explicitly assuming that the state's legitimacy function attempts to unite the various monopoly fractions' interests while simultaneously maintaining their hegemonic dominance *vis-à-vis* the competing (mostly non-monopoly) fractions of capital. Again, to argue that the state's legitimation function can be manipulated by any one specific monopoly fraction reflects determinism to a certain extent. Further, this line of reasoning is unclear as to how the state is able to recognize the dominance of a specific monopoly capital fraction. While state monopoly capitalism brings attention to the internal means through which the state reflects its character, post neo-Marxist paradigms, such as forms and functions of the state, attempt to fine-tune the analysis by questioning how the state determines the method and scope of its activities.

POST NEO-MARXISM: FORMS AND FUNCTIONS OF THE STATE

This post neo-Marxist paradigm takes as its point of departure the idea that it is systematically possible to derive the state as a political form from the nature of capitalist relations of productions.³⁶ From this assumption, the paradigm questions the structuralist notion of the relative autonomy of the state.³⁷ Why is the state disassociated from the dominant class? How can the state articulate and perpetuate capitalist interests if it takes on the form of an impersonal mechanism of public authority that is isolated from society? In other words, the forms and functions of the state theorists do not accept the state's relative autonomy as a conceptual given.

Rather, the paradigm questions how a state institution such as the civil service can articulate the public interest.

These "post neo-Marxist" theorists argue that the state should be re-interpreted as a means through which various members of bourgeois society discover that their mutual concerns regarding capitalist reproduction are maintained alongside but sometimes in opposition to their particular interests.³⁸ Therefore, the structuralist paradigm of the state is rendered less abstract and ambiguous, since the state not only **reflects** but also **embodies** conflict. For example, Rianne Mahon's analysis, within the Canadian context, asserts that this was, and continues to be the *raison d'être* of the federal Department of Labour.³⁹ The state, through the auspices of the department, acts as a legitimization mechanism by formally condoning or sanctioning the existence of trade unions and by involving labour in tri-lateral activities with the state and the business community.

A business interest group, such as the Business Council on National Issues, analyzed through the forms and functions of the state paradigm, would work alongside, as opposed to being an external source of policy input for the civil service. In effect, the Business Council on National Issues functions as a parallel bureaucracy to the civil service in articulating the common good. Through this interaction, the forms and functions of the state reflect and adapt to capitalist interests. Unfortunately, this almost sounds like a revisionist concept of vulgar Marxist instrumentalism or Miliband's neo-Marxist instrumentalism. Both paradigms depend too heavily on the **economic function** of the state, that is, capital accumulation, without taking into account the legitimization and social cohesion roles.

Along with economic determinism, the forms and functions of the state approach tends to rely heavily on historical specificity.⁴⁰ Consequently, the forms and

functions paradigm argues that the structures of the state are objects of class struggle and that the class struggle determines the development of the state's structure.⁴¹ What both criticisms point to is the rather *ad hoc* nature of the class struggle within the forms and functions paradigm. However, this reasoning does take into account the influence of the proletariat in the class struggle. For example, an alternative to structuralism as an explanation of welfare state policies or the establishment of the Department of Labour, both legitimization functions, might involve the forms and functions paradigm. Within this context, the paradigm illustrates the state's forms and functions as being reactive to class conflict within capitalism.⁴² The state does not have the ability of being *clairvoyant* regarding class conflict and planning its appropriate form and function. Rather, it reacts to class conflicts in society through policies that are incremental, short-term solutions, upholding the *status quo* for a particular capitalist fraction, or creating a new one when a different fraction obtains hegemonic dominance.

Critics of the forms and functions of the state model allege that there is no certainty that the state will discover the "correct" forms of intervention.⁴³ The use of the term "correct" in this instance is contentious and misleading as it implies a normative and subjective connotation. For example, is a particular state form and function "correct" in all situations or is it limited by historical specificity? Does the term "correct" also suggest efficiency and/or effectiveness?

A common characteristic of all the neo-Marxist and post neo-Marxist paradigms on business-government relations discussed thus far is that the concepts presented within each one are not totally comprehensive or specific. The question that begs to be asked is: why? One reason might be that each new paradigm does not use former ones as a means of synthesizing conceptual elements of both. Rather, each subsequent

paradigm points out shortcomings without addressing problems common to both. As a result, the paradigms contain several ambiguous and abstract propositions. This is particularly applicable to neo-Marxist instrumentalism and structuralism. Both paradigms emphasize that the state must be relatively autonomous from any overt manipulation by the capitalist class, *per se*, to maintain its accumulation and legitimacy functions. But, as state monopoly capitalism and form and functions of the state theorists correctly point out, this relative autonomy is dependent upon external social forces. For example, how can the state articulate and maintain capitalist interests if it is isolated from the class struggles of civil society?

A second shortcoming of these paradigms is a common tendency towards economic determinism. Essentially, all the state's activities can be reduced to maintaining and perpetuating capital accumulation. A comprehensive and convincing neo-Marxist or post neo-Marxist paradigm must account for the state's activities regarding both capital accumulation and legitimation. The final two paradigms discussed in this chapter attempt to maintain a conceptual balance between the state's capital accumulation and legitimation functions. Some may contend that the author's paradigm on business-government relations reflects a "fetish" regarding the state's legitimation function. However, this perspective is defended since the civil service's *raison d'être* is maintaining the "public interest." If it is to successfully mystify its support of capital accumulation and bourgeois dominance, the civil service must maintain a *façade* of being responsive to all interest groups within society. In this context, legitimation is connected to responsiveness. Without an equal emphasis on legitimation, the state's activities become overtly coercive in maintaining the capitalist *status quo* and it runs the risk of a proletariat revolt.

TOWARDS A SYNTHESIS: JESSOP'S CAPITALIST STATE

Jessop begins by presenting certain guidelines for constructing an adequate Marxist account of the state in capitalist societies. One of the guidelines he discusses is that state power is capitalist to the extent that it aids and maintains the process of capital accumulation in a given situation and it is non-capitalist to the extent that capital accumulation is not realized.⁴⁴ Jessop appears to be overly deterministic in this pre-requisite. The *raison d'être* of the neo-Marxist paradigm of a relatively autonomous state contends that its activities will not directly benefit the capital accumulation needs of the bourgeoisie, but also emphasize legitimation and social cohesion. However, the author recognizes the validity of Offe's argument that relative autonomy of the state may be required to establish a common capitalist interest among competing fractions.

Often the state's relative autonomy is used as a source of explaining the functionality of the state. Jessop argues this reasoning is problematic since it assigns relative autonomy to the state in order to guarantee its subordination to the bourgeois interests of capital accumulation and political domination.⁴⁵ Jessop indicates that one way to escape this polemical *cui de sac* is to analyze the relative autonomy of the state through a unique institutional structure. For example, the civil service maintains and perpetuates dominance over the government within the state in the following ways: no dichotomy between politics and administration, a monopoly on expertise, information, and knowledge which translates into power, permanence of positions, and, the *façade* of neutrality. Another example within the context of business-government relations is the social basis of support and resistance of the state's activities. The state's interaction with the Business Council on National Issues can be a way of articulating capitalist interests and possible sources of fractional conflict or

determining policy effectiveness in relation to bourgeois fractional dominance. This can be achieved by examining how well the civil service is able to satisfy capitalist needs under the national interest *façade*. Also, having the civil service interact with the Business Council on National Issues as a type of sounding board regarding policy output and policy outcome and thus, becoming aware of any sources of conflict between the two types of policies. This would also tend to minimize the isolated position of the civil service within the relative autonomy of the state paradigm. Like the state forms and functions theorists, Jessop stresses an in-depth analysis of **how** the state's relative autonomy is maintained and perpetuated, instead of taking it as a given.

An analysis of the relative autonomy of the state should consider how a particular Department or Ministry can offer support for the hegemony of a particular class fraction.⁴⁶ For example, Mahon's analysis attributes the Federal Finance Department with maintaining the hegemonic dominance of the finance capital fraction.⁴⁷ It may also depend on the specific Ministry or Department's state function; that is, does it serve to maintain capital accumulation or legitimation? Neither can be seen as a separate phenomenon occurring in isolation. Rather, both effect each other by osmosis since they reflect power as the condensation of the balance of class forces in the struggle.⁴⁸ This analysis of power is closely related to such factors as the analysis of organization, modes of calculation, resources, strategies and tactics of different agents, that is, state Ministries or Departments and interest groups. The relations among the fore-mentioned agents must also be considered, including the structural opportunities, those elements in the social formation that are beyond an agent's ability to change at a given time, as well as the conjunctural opportunities, those aspects in the social formation that a specific agent can change at a given time. All of these factors will determine the overall balance of forces within the class struggle.

Once the various factors which reflect power as the condensation of the balance of forces in the class struggle have been determined, Jessop postulates that the next level of analysis involves means through which a "relative" unity of diverse social forces can be established.⁴⁹ He asserts that the concept of a hegemonic project can be one way through which this relative unity is facilitated. The hegemonic project resolves the ambiguous problem between particular and general interests by involving the mobilization of support behind a "national-popular" programme. This programme maintains the general interest in pursuing goals that explicitly or implicitly advance the long-range interests of the hegemonic class or fraction. It also reveals which privileges (that is, specific "economic corporate" interests) are compatible with this programme and suppresses inconsistent ones.

This process is similar to the concept of "non-decision making" within the pluralist model. It is also suggestive of Claus Offe's system of filters.⁵⁰ Offe identifies four mechanisms through which the hierarchical filter system operates: structure, ideology, process, and repression. Each level progressively eliminates interests which are counter to the capitalist *status quo* and have not been screened by the previous levels.

For example, the first level, structural selective mechanisms is the broad limits of possible state actions defined by the overall structure of political institutions. Offe points to the importance of the state's protection of private property rights and capital accumulation. The structural selective mechanisms also function as guidelines for interest groups articulating their concerns to the state -- recall the "cardinal rules" business interest groups operate under in pluralism, discussed in the previous chapter.

Ideological mechanisms specify which interests are recognized and acknowledged as problems to be solved. In this context, some policy choices are defined as non-events since they are not compatible with perpetuating the capitalist *status quo*.

This is analogous to Bachrach and Baratz's concept of non-decision making.

The mechanism of process ensures that the decision-making rules provide certain interest groups with an advantage over others. For instance, the Business Council on National Issues, because it has "the right stuff" in terms of being a permanent, institutional interest group and has a greater stake in maintaining the capitalist *status quo*, will be able to exploit the system more advantageously than another *ad hoc* organization.

The final level within the hierarchical filter system is the repressive apparatus of the state which excludes given alternatives through direct coercion. Recall the Federal Department of Labour's mandate of internalizing capitalist-labour conflict and making trade union interests more palatable to bourgeoisie concessions. Offe ends his analysis by saying that when the selective mechanisms are performing in an optimal manner, it is not possible to prove the class nature of the state. The civil service's "public interest" *façade* and its responsiveness to the concerns of society are basic to this mystifying process.

Jessop alleges that the problem with a hegemonic project is articulating certain "particular interests" into a "general interest" acceptable, not only to capital, but also to the particular interests of bureaucrats.⁵¹ There are two areas of ambiguity with Jessop's statement. First, under the term "general interest", does Jessop mean all or just specific fractions? Second, is the discouraging of other particular interests to be defined in terms of other capitalist fractions or the legitimation function of the state? These shortcomings aside, Bob Jessop's framework for analyzing the capitalist state's activities is a useful attempt at synthesizing ideas from various paradigms. The following neo-Marxist paradigm on business-government relations hopes to emulate Jessop's synthesis.

TOWARDS A PRELIMINARY NEO-MARXIST PARADIGM OF BUSINESS-GOVERNMENT RELATIONS

This paradigm, like the preceding ones, will analyze business-government relations in terms of the structure of the state, and the business interest organization. By studying the interactions of the Business Council on National Issues with the civil service, the analysis focuses on how the state's form and function reflects monopoly capital concerns under the "public interest" *façade*. What is important to emphasize at this point is an equilibrium of state activities between capital accumulation and legitimation. The discussion attempts to synthesize ideas from both neo-Marxist and post neo-Marxist paradigms.

The graphic portrayal of this paradigm is illustrated in Figure 3.1. Notice that within the state's structure there is a dichotomy between the government and the civil service. This reflects neo-Marxist instrumentalism, which contends such a division is necessary since the government is invested with power, through the liberal democratic process of popular elections, but the civil service controls power. The civil service's relative autonomy is the source of controlling state power. This relative autonomy is based upon its pervasiveness throughout the state, the lack of separation between formulation and implementation regarding public policies, the political neutrality *façade* which translates into being responsive to the needs of society, the monopolization of expertise and knowledge, and finally the permanence of public servants *vis-à-vis* elected officials. These characteristics are also fundamental in explaining how the state is able to maintain its capitalist creed without being overtly subordinate to bourgeois domination.

The state's relative autonomy, described in this manner, incorporates both structuralism and the post neo-Marxist forms and functions of the state. Structuralist

writers such as Poulantzas put forth the idea that the economic fractioning of the bourgeoisie into non-monopoly and monopoly capital, and the further splintering of the latter group into resource, manufacturing, financial, and foreign interests can only be subdued through a state which exhibits its own class unity and institutional autonomy *vis-à-vis* dominant class fractions.

State form and function theorists, Flatow and Huisken, similarly contend that the state should be discussed in terms of uniting the fractional interests of bourgeois society through their common concern of capitalist reproduction, alongside and occasionally contrary to their particular interests. The structuralist paradigm of relative autonomy of the state is clarified in that the state not only reflects conflict among social institutions but actually embodies conflict. In this respect, Mahon's characterization of the Federal Finance Department as perpetuating and legitimizing the financial fraction's dominance through the "national interest" *façade* is insightful. The Department of Finance, the President of the Treasury Board, and the Bank of Canada might serve similar policy roles. Again, it is not enough to assume the state is relatively autonomous but, rather, the level of analysis must be extended to include how the state maintains its autonomy through the structure of its institutions.

The structure of the Business Council on National Issues can be analyzed as a "parallel bureaucracy" analogous to the civil service. Like the civil service, this business interest group operates as a permanent institutional organization utilizing its resources to articulate the concerns of monopoly capital members to public servants. Interaction with the civil service is primarily focused on the policy process since it is exactly this activity which guarantees capital accumulation and legitimation of monopoly capital hegemonic dominance.

Using state monopoly capitalism as a starting point, the Business Council on National Issues represents, like the state within the same paradigm, the collective

interests of such monopoly capital as resources, manufacturing, finance and foreign investment. Accordingly, the Business Council on National Issues does not restrict its activities to representing the interests of only one monopoly capital fraction. Like the civil service's "public interest" *façade*, the Business Council on National Issues represents the collective "general business interest". This is crucial in maintaining the cohesiveness of the group since the particular interests of its members are often conflicting, and, to provide legitimation of the state's activities to the organization's members. The business interest group has an important stake in maintaining the *status quo* but cannot risk being perceived as a capitalist mechanism of overt state manipulation. Rather, it will present capitalist interests analogous to "national issues", thereby suggesting that its elite concerns encompass the "common good". It is precisely for this reason that Mahon's false dichotomy of state and interest groups regarding "representation" and "legitimacy" is misleading.⁵²

The interactions between the Business Council on National Issues and the civil service represent the fusion of monopoly forces with the bourgeois state, which is indicative of state monopoly capitalism. But, as previously emphasized, it is not enough to assume this interaction. The analysis must also explain the auspices under which this activity takes place. Within this context, Gramsci's concept of hegemony is relevant. The previous discussion stressed hegemony's role in taking systematic account of popular interests as a means of maintaining support and alliances in an inherently unstable and fragile system of political relations, without surrendering the primary goals of accumulation and legitimation. Furthermore, hegemony enables the state to organize this support as a means to reach national goals which serve the primary long-term interests of the dominant group. The civil service can achieve hegemony through its political neutrality, permanence *vis-à-vis* elected officials, and finally, the monopoly on expertise and knowledge it possesses. Jessop, in his analysis,

expands on Gramsci's concept of hegemony by introducing the hegemonic project.

The hegemonic project tries to coalesce divergent particular and general interests by initiating support behind a concrete national-popular programme. Within the Canadian context, such "national interest" policies as "Free Trade", "The Meech Lake Accord", "The Goods and Services Tax", and policies to protect the environment, represent the "common good" in pursuing goals that explicitly or implicitly advance the long-term interests of the dominant monopoly capital fraction. Through the hegemonic project, the capitalist state, as defined by the civil service, tries to establish a consensus by employing the *façade* of "public interest" and responsiveness.

However, the concept of the hegemonic project can also be applied to the interaction between the civil service and the Business Council on National Issues. The Business Council on National Issues is a mechanism through which interest articulation of the dominant monopoly capital fraction is expressed to members of the civil service. The civil service can then formulate and implement the appropriate hegemonic project to secure the concerns of monopoly capital through the public interest *façade*. Equally important is the business interest group's communication link to its monopoly capital members in order to ensure consensus and cohesiveness within the organization.

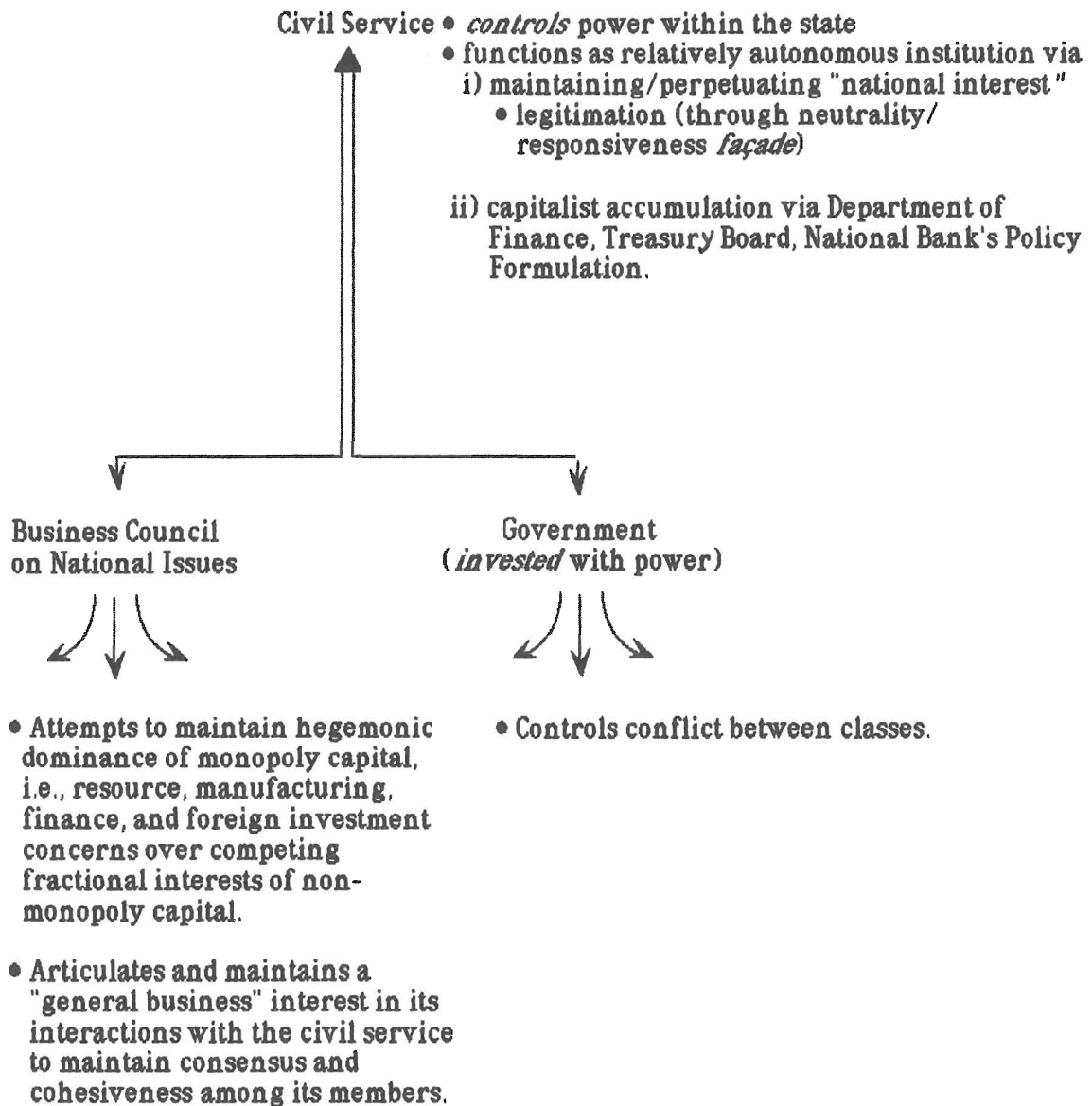
CONCLUSION/SUMMARY

The focus of this chapter has been the analysis of business-government relations by various neo-Marxist and post neo-Marxist paradigms. The shortcomings of these explanations are essentially economic determinism at the expense of the state's function of legitimating the capitalist *status quo*. The final paradigm discussed focused on incorporating various aspects of neo-Marxism and post neo-Marxism. As well, a convincing neo-Marxist paradigm of business-government relations must attempt to

synthesize the concepts of capital accumulation and legitimation. The next chapters attempt to apply this model in terms of the interactions between the Federal civil service and the Business Council on National Issues.

FIGURE 3.1

**"A PRELIMINARY NEO-MARXIST MODEL
OF BUSINESS-GOVERNMENT RELATIONS"**



ENDNOTES

- ¹Ralph Miliband. *The State in Capitalist Society. The Analysis of the Western System of Power.*
(London: Quartet Books Limited, 1973) p. 44.
- ²*Ibid.*, p. 45.
- ³*Ibid.*, p. 46.
- ⁴*Ibid.*, pp. 47-48. (Emphasis in original).
- ⁵*Ibid.*, p. 53.
- ⁶*Ibid.*, p. 112. See also, V.V. Murray and C.J. McMillan. "Business-Government Relations in Canada: A Conceptual Map", *Canadian Public Administration*, Volume 26 (Winter 1983), p. 601.
- ⁷*Ibid.*, pp. 54, 108.
- ⁸*Ibid.*, p. 131.
- ⁹*Ibid.*, p. 145.
- ¹⁰David A. Gold, Clarence Y.H. Lo, and Erik Olin Wright. "Recent Developments in Marxist Theories of the Capitalist State", (Part One), *Monthly Review*, Volume 27 (5), (October 1975), p. 34.
- ¹¹*Ibid.*, p. 35.
- ¹²Bob Jessop. *The Capitalist State.*
(Oxford: Martin Robertson & Company Ltd., 1982), p. 145.
- ¹³*Ibid.*, p. 145. See also, Antonio Gramsci. *Selections from the Prison Notebooks of Antonio Gramsci*, Ed. and trans. Quintin Hoare and G. Nowell Smith
(New York: International Publishers, 1971).
- ¹⁴Jessop, p. 147.
- ¹⁵*Ibid.*, p. 148.
- ¹⁶*Ibid.*, p. 155. See also, Nicos Poulantzas. *Political Power and Social Classes.*
(London: New Left Books, 1973).
- ¹⁷Gold, *et al.* (Part One), p. 36.
- ¹⁸*Ibid.*, p. 38.
- ¹⁹Jessop, p. 155.

- ²⁰Jessop, p. 163.
- ²¹*Ibid.*, p. 165.
- ²²*Ibid.*, pp. 181-182.
- ²³*Ibid.*, p. 184.
- ²⁴*Ibid.*, p. 185. See also, Nicos Poulantzas. *Classes in Contemporary Capitalism*, Trans. David Fernbach. (London: New Left Books, 1975).
- ²⁵*Ibid.*, p. 186. See also, Nicos Poulantzas. *State, Power, Socialism*. (London: New Left Books, 1978).
- ²⁶Robert J. Jackson, Doreen Jackson and Nicolas Baxter-Moore, *Politics in Canada: Culture, Institutions, Behaviour, and Public Policy*, (Scarborough: Prentice-Hall Canada, Inc., 1986), p. 586.
- ²⁷David A. Gold, Clarence Y.H. Lo and Erik Olin Wright. "Recent Developments in Marxist Theories of the Capitalist State" (Part Two), *Monthly Review*, Volume 27 (6), (November 1975), p. 37.
- ²⁸Jessop, pp. 32-33.
- ²⁹Gold, *et al.* (Part Two), p. 40. See also, Claus Offe. "The Theory of the Capitalist State and the Problem of Policy Formulation", "Mimeo" (1974).
- ³⁰Jessop, p. 61.
- ³¹Murray Knuttila. *State Theories: From Liberalism to the Challenge of Feminism*. (Toronto: Garamond Press, 1987), p. 122. See also, James O'Connor. *The Fiscal Crisis of the State*. (New York: St. Martin's Press, 1973).
- ³²Gold, *et al.* (Part Two), p. 41.
- ³³*Ibid.*, p. 42.
- ³⁴Jessop, p. 61.
- ³⁵*Ibid.*, p. 62.

- ³⁶John Holloway and Sol Picciotto. "Introduction: Towards a Materialist Theory of the State". *State and Capital: A Marxist Debate*. Ed. John Holloway and Sol Picciotto. (London: Edward Arnold (Publishers) Ltd., 1980), p. 2.
- ³⁷*Ibid.*, p. 19.
- ³⁸Flatow and Huiskens in Jessop, p. 98.
- ³⁹Rianne Mahon, "Canadian Public Policy: The Unequal Structure of Representation". Ed. Leo Panitch. *The Canadian State: Political Economy and Political Power*. (Toronto: University of Toronto Press, 1977), pp. 182-189.
- ⁴⁰Jessop, p. 141.
- ⁴¹Gold, *et al* (Part Two), p. 47.
- ⁴²Hirsch in Holloway and Picciotto, p. 25.
- ⁴³Gold, *et al* (Part Two), p. 48.
- ⁴⁴Jessop, p. 221.
- ⁴⁵*Ibid.*, p. 227.
- ⁴⁶*Ibid.*, p. 232.
- ⁴⁷Mahon in Panitch, pp. 175-182.
- ⁴⁸Jessop, pp. 235, 256.
- ⁴⁹*Ibid.*, p. 243.
- ⁵⁰Gold, *et al* (Part Two), pp. 38-39. See also, Claus Offe. "Structural Problems of the Capitalist State. Class Rule and the Political System. On the Selectiveness of Political Institutions." *German Political Studies, Volume One*, Ed. Klaus Von Beyme. (Beverly Hills: Sage Publications, 1974), pp. 31-57.
- ⁵¹Jessop, p. 245.
- ⁵²Mahon in Panitch, p. 170.

CHAPTER FOUR: THE STRUCTURE OF THE BUSINESS COUNCIL ON NATIONAL ISSUES

Now that the theoretical framework for discussing business-government relations has been established, the next level of analysis involves applying the author's paradigm to the interactions between the business interest group and the civil service. This chapter deals with the structure of the Business Council on National Issues, while Chapter Five discusses policy scope. Finally, Chapter Six deals with the process of interaction, including the specific stages of the policy process at which the business interest group influences particular branches of the state, i.e., the civil service and the government. The analysis attempts to integrate the concepts of accumulation and legitimation since both are salient in discovering how the state maintains the monopoly capital fraction's hegemonic dominance under the "public interest" *façade*.

As mentioned previously, this chapter deals with the Business Council on National Issues (hereafter referred to as either "BCNI" or "The Business Council") and how its structure is conducive to perpetuating the accumulation interests of its membership. The BCNI is probably the most exclusive business interest group in Canada, serving a clientele of monopoly capital corporations in the resource, manufacturing, financial, and, foreign investment sectors. Although less overtly confrontational through its interactions with politicians or civil servants and, therefore perhaps, less well-known to the public than its non-monopoly capital counterpart, the Canadian Federation of Independent Business, it nevertheless makes its presence known in the halls of political power. The analysis of the Business Council's structure will encompass the reasons why the organization was created as well as the development of its mandate. The discourse provides a prologue for applying the author's paradigm of business-government relations to this important

representative of Canadian capital.

THE FOUNDING OF THE BUSINESS COUNCIL ON NATIONAL ISSUES

Before a discussion of the mandate of the BCNI can be attempted, it is important to discover and analyze the forces which acted as catalysts for its formation. One of the basic premises of all neo-Marxist paradigms on business-government relations, including the author's, is that the state functions to facilitate accumulation and legitimize the dominance of the monopoly capital fraction within the *status quo*. Ostensibly, the state is receptive to the concerns of this group and, subsequently, formulates and implements appropriate policies. Within the context of state monopoly capitalism, a bond develops between monopoly capitalist forces and the bourgeois state to form a single mechanism of economic exploitation and domination.¹ The state serves to perpetuate and legitimate the interests of monopoly capital by the near or total negation of other fractions. In other words, the hegemonic dominance of the monopoly capital fraction is at the expense of non-monopoly capital fractions. However, the inherent conflict and competition between monopoly and non-monopoly fractions, as well as the struggles waged against the proletariat, mean that the stability of this system of hegemonic dominance is tenuous. This is the situation monopoly capital faced in the mid-1970's which served to hasten the development and establishment of the Business Council on National Issues.

During the economic crisis which seemed to characterize the Trudeau government of the 1970's, there was a perception among members of the monopoly capital fraction that the state, through its relative autonomy, was unable to provide the conditions necessary for hegemonic dominance.² One of the main driving forces that led to the formation of the BCNI was the uncertainty that monopoly capital faced in

maintaining hegemonic dominance over other fractions and classes. This situation was exacerbated by the implementation of such "controversial" (to the business community, in any respect) policies by the Canadian government as wage and price controls. The stability of the Canadian economy was also shaken, first, by the oil crisis of 1973-1974, which produced a world-wide increase of prices, and second, by the resulting recession. According to Jock A. Finlayson, BCNI Vice President in charge of Policy and Research:

"In that period of time, there was a general perception that relations with the government, the Federal government in particular, were poor and that the voice of business in dealing with the government was weaker, not as coherent or well-organized, as it should be ideally." ³

Clearly, if monopoly capitalists from the resource, manufacturing, financial, and foreign investment sectors were to maintain their collective hegemonic dominance over non-monopoly capital fractions and the working classes, a vehicle had to be found to present their concerns to the state in a cohesive and coherent manner. These were the auspices under which the BCNI was formed. The Business Council was established in 1976 -- one year after the government introduced wage and price controls.

What is interesting to note about the BCNI's internal structure is the way in which it reflects the evolution of its mandate of representing the concerns of its members under the "public interest" *façade*. At its inception in 1976, the BCNI was founded and chaired by W.O. Twaits, retiring Chair of Imperial Oil and Alfred Powis, President of Noranda, with the intent of creating an effective mechanism through which the business community could voice its concerns to the government.⁴ However, there were two factors which hindered any productive dialogue between the business interest group and the government. First, there was the frustrated and aggressive attitude that characterized the BCNI's initial contacts with the government. Second, both Twaits and Powis had experience in corporation boardrooms but not in the halls of

political power. Hence, they had no knowledge of how the government operated and who to talk to within the upper echelons of the civil service or the government. Any consensus within the organization was tenuous since other monopoly capital interests (e.g., manufacturing, finance, or foreign investment) would feel that their concerns were not being given the same amount of consideration *vis-à-vis* the resource sector, which Imperial Oil and Noranda represented. Somehow, the concerns of the BCNI's membership had to be harnessed into a cohesive organization, in which the "general business interest" was the mandate to be followed. If this could not be accomplished, the monopoly fraction would be unable to maintain its hegemonic dominance over the competing non-monopoly fractions or even the working class.

The BCNI very quickly discovered that in the age of information, knowledge is power. Knowledge gives access, not only to civil servants, since a common language is being spoken, but also to politicians, since they require private sector expertise in terms of placing concerns on the policy-setting agenda, policy implementation, and as a source of feedback regarding policy effectiveness. Enter Thomas d'Aquino, who since 1981, when he became President and Chief Executive Officer of the BCNI, has been instrumental in voicing the unified concerns of the monopoly capital fraction to the state. A quintessential technocrat, d'Aquino knows how civil servants and politicians operate, having worked in the Prime Minister's Office (PMO) from 1969 to 1972. During this time, d'Aquino was part of the new "alternate bureaucracy" that Trudeau created in an effort to break the civil service monopoly on expertise and to concentrate power in the hands of politicians, not bureaucrats. Administrative members such as d'Aquino and Finlayson ensure that all the concerns of the BCNI's corporate membership are articulated effectively and equally to the state since they are not directly involved in one specific sectoral interest, *per se*. This also facilitates bringing about a consensus among the organization's members. However, this is not to suggest that the BCNI's

technocrats are unresponsive to or are isolated from interactions with their corporate constituents. The Business Council, like a major corporation, has a Board of Directors or "policy committee", whose thirty members reflect the different interests of the monopoly capital fraction.⁵

THE BCNI'S MEMBERSHIP

The growth of monopoly capitalism in Canada has been characterized by a high degree of concentration and geographic centralization.⁶ Finlayson substantiates this by stating that the original founding fathers of the BCNI were Chief Executive Officers (CEOs) of major Ontario companies.⁷ The membership of the Business Council was subsequently extended to corporations in Quebec. The concentration of monopoly capitalism is reflected in the fact that the members of the BCNI are the CEOs of the largest two hundred industrial companies and the top one hundred financial service corporations in Canada. What is interesting to note in this context is the position of Chief Executive Officer that is a pre-requisite for membership within the BCNI. The question that begs to be asked is: why this specific position as opposed to Vice-President or another member of the company's Board of Directors?

Finlayson says that the BCNI's "No Substitution Rule", whereby group meetings must be attended by the CEOs rather than a Vice-President, is unique within Canadian business organizations.⁸ Langille implies that the reasoning behind having CEOs comprise the Business Council was that government Ministers required individuals able to execute quick decisions and exhibit flexibility.⁹ Another argument which can be made in this context is that the Chief Executive Officer's most important responsibility, within the corporate hierarchy, is to bring about **consensus** between such competing and possibly conflicting departments as Research/Development, Marketing,

Manufacturing, and Finance. Therefore, Chief Executive Officers, as members of the BCNI policy committee, can present cohesive proposals to either senior politicians or the upper echelons of the civil service. This is particularly crucial since the monopoly capital fraction must maintain its hegemonic dominance over the non-monopoly fractions as well as the proletariat classes. The state is the only mechanism able to use coercion legitimately to achieve this end.

As mentioned previously, the BCNI is composed of the largest two hundred industrial companies and the top one hundred financial service corporations in Canada. Jointly the corporations that compose the business interest group's membership employ one and a half million Canadians and hold assets equalling nine hundred billion dollars.¹⁰ The membership represents monopoly capital in resources (Noranda Inc., Shell Canada Limited, Canfor Corporation), manufacturing (The Molson Companies Limited, Dominion Textile Inc., Redpath Industries Limited), finance, which not only includes Canada's five major banks, but also investment firms and insurance companies (The Canadian Imperial Bank of Commerce, Bank of Montreal, Bank of Nova Scotia, Toronto-Dominion Bank, Royal Bank of Canada, Burns Fry Limited, the Laurentian Group Corporation), as well as foreign multi-national interests (ITT Canada Limited, Ford Motor Company of Canada Limited, IBM Canada Limited).¹¹ Even though the members come from various sectors of the monopoly fraction, the BCNI represents their collective interests (i.e., maintaining hegemonic dominance over the non-monopoly fractions and the working classes, capital accumulation, and legitimization of their needs) and is not concerned with sectoral issues. Finlayson elaborates on this by saying:

"The Business Council does not deal with issues that are sector-specific or company-specific. Similarly, if an individual has a problem with government, we also don't really get involved in what I would call company-specific advocacy or lobbying work. Similarly, we don't really do advocacy work for individual industries, and, within Canada, there are

many conflicts that really pit one company against the other. For example, the trust companies against the banks of who should be allowed to own trust companies. Should they allow concentrated ownership? Insurance companies against the banks on the question of should banks be able to sell insurance?"¹²

Notice how the BCNI ensures unity and agreement among its members by focusing on issues common to all of the monopoly fraction. A business interest group, within this context must be small in size in order to achieve common objectives amongst all its members and to make the most efficient and effective use of its resources, be they human, technological, or material. Consensus is also easier to achieve in a small organization such as the BCNI since all members receive equal benefits by incurring the same costs. Hence, Finlayson's argument that the organization is not geared towards serving sectoral interests, *per se*, is cogent. What is interesting to note is Langille's contention that while the Business Council has included members of the Canadian Chamber of Commerce, the Canadian Manufacturers' Association and the *Conseil du Patronat du Quebec* to participate on its policy committee, he finds the conciliation of groups with such divergent interests difficult to comprehend.¹³ Several points of contention are evident in this analysis.

The rationality of the Council's uniting with the fore-mentioned non-monopoly capital business organizations is questionable in two respects. First, what will tend to appear in this instance is the "free rider" problem discussed under the public choice paradigm in Chapter Two. Recall that the basic argument of the "free rider" problem is that if a business organization does not have a small, cohesive, focused group of members, it faces the risk of inefficient and ineffective use of resources or benefits to be gained. In the case of monopoly capital, this is exacerbated since its membership has a greater stake in maintaining the *status quo* in its favour within state monopoly capitalism than does non-monopoly capital. Furthermore, the monopoly capital fraction has fewer members than the non-monopoly capital fractions so that its

hegemonic dominance through dialogue without the state's coercive and legitimating functions is unlikely. Indeed, if the BCNI did promote such bi-lateral co-operation with non-monopoly fractions, it would be shooting itself in the foot. One of the reasons monopoly capital is able to maintain hegemonic dominance over non-monopoly capital fractions is because the latter's interests are disjointed and competitive amongst themselves.

Second, Langille's reasoning implies that an on-going alliance between monopoly capital *vis-à-vis* non-monopoly capital business interest groups may be difficult to achieve since each fraction's concerns and resources are different. Unfortunately, Langille does not take into account that it is precisely this dichotomy between monopoly and non-monopoly fractions that is one of the conceptual building blocks upon which state monopoly capitalism is founded. Furthermore, Langille claims that another factor which makes compatibility between monopoly capital and non-monopoly capital interests unlikely is that the latter groups' interactions with the state tend to be more overt and "ham-handed" than the BCNI.¹⁴ What is at issue in this analysis is not so much the specific interests of each capitalist fraction, *per se*, but rather the structure used to aggregate and articulate its members' concerns to the state. Business interest groups, such as the Canadian Chamber of Commerce or the Canadian Federation of Independent Business, that represent the concerns of the non-monopoly capital fractions, are referred to in the literature as "fledgling" or, at best, "mature" interest groups. However, such an interest group as the BCNI is categorized under the heading of an "institutionalized" interest group.

On A. Paul Pross' continuum framework for categorizing pressure groups, an institutionalized interest group is the pinnacle of organization. Pross writes that an institutionalized interest group has an organizational structure that is a "responsive, adaptive organism" which reflects a particular philosophy and a **sense of unity**.¹⁵

In the case of the BCNI, the sense of unity and a particular philosophy of its members are combined in the group's mandate of effectively representing the concerns of the monopoly capital fraction with reference to the state's policy-setting agenda. In order for the Business Council to accomplish this, it must have an expert staff able to articulate the members' interests to both the government and the civil service on a continuing basis. Communication with the government is media-oriented with a public relations approach emphasizing image-building ads and press releases.¹⁶ The Council's efforts in this area present a polished, low-key, rational perspective of how the big business interest is synonymous with the "national interest". A good example of this includes the recent BCNI publication, "Economic Strength and Political Stability Inseparable Imperatives", which is indicative of the organization's philosophy that a dynamic economy (serving the accumulation needs of capitalists) can only exist in a politically stable environment.¹⁷

Another hallmark of an institutionalized interest group, according to Pross, is the extensive human and financial resources *vis-a-vis* mature or fledgling organizations.¹⁸ However, this assumption tends to be general in nature and needs to be qualified. For example, according to Langille's figures, the BCNI's budget was approximately one million dollars (circa 1987), as compared to six million dollars for the Canadian Federation of Independent Business (CFIB) with 64,000 members, or \$2.4 million for the Chamber of Commerce with 140,000 members.¹⁹ What is at issue here is not the amount of resources at the organization's disposal to perpetuate its members' interests, but rather **how effectively the resources are used**. For example, the BCNI is able to accomplish a lot more with its smaller budget and staff than other groups since its unified and agreed upon mandate is translated into an organization that uses its resources in a more efficient and focused manner. The organization and

membership size are both small ensuring good bi-lateral communication. The argument can also be made that the Business Council **must** make effective use of its human and financial resources because, if it fails to do so, it will be unable to defend its members' interests of accumulation and hegemonic dominance over other competing fractions and classes.

The Business Council is also able to use its centralized organizational structure advantageously. There is only one "head office" for the organization so that communication is direct between administration and members. This is in contrast to such a "mature" group as the Canadian Chamber of Commerce, whose organizational structure includes offices at the local, regional, and national levels. Similarly, such a "fledgling" group as the CFIB faces the task of serving 64,000 members whose interests are diversified and competitive. Achieving any effective level of consensus and agreement through objectives which serve the parochial not collective concerns of its members tends to be difficult. Part of the problem lies in the inherent competition among non-monopoly fractions which is translated into their interest group organization.

Finally, the level of access to politicians and civil servants that each group attains must be considered.²⁰ Pross categorizes institutionalized interest groups as having "regular" (i.e., ongoing) contact with both elected officials and bureaucrats. What needs to be emphasized in this context is that the interaction is only with senior public servants and politicians, who set the state's policy agenda by formulating and implementing public policy. The organization's members may also appear and/or directly participate on government advisory boards or committees. For example, the Business Council in April 1990 presented its members' views in a statement before the Special Committee of the House of Commons on the Companion Resolution to the Meech Lake Accord entitled "The Meech Lake Accord and Constitutional Renewal". Pross also

stresses the importance of staff exchange between the private sector and public sector organizations. Earlier in the discussion, it was indicated that the BCNI's current President and CEO once worked for Trudeau's PMO. Finlayson states that the Council's interactions with the Treasury Board is limited to improving public sector efficiency by transferring personnel from the private sector into the government.²¹ Recall Miliband's neo-Marxist instrumental argument in Chapter Three that members of the business community "colonize" strategic positions within the state in order to accommodate their capitalist interests. Through the regular and close contact an institutionalized group maintains with state officials, it is able to find out not only how the system works but how to exploit it to its members' advantage. In contrast, mature interest groups maintain regular contact but probably only with civil servants involved in the routine administration of implementing policies.²² Fledgling interest groups are in a "twilight zone", characterized by confrontational interactions with politicians and officials on certain occasions, while in other circumstances, they have more regular contact with officials. The discussion now turns to a brief analysis of interest groups' functions and how these functions are embodied in an institutionalized organization such as the BCNI.

INTEREST GROUP FUNCTIONS

1) *COMMUNICATION*

Although interest groups are sometimes also called lobby or pressure groups and represent a myriad of concerns, they all share one common attribute. These groups seek to influence the state's policy-making function so that it will reflect their memberships' concerns.²³ The groups diverge on the resources available to them and how effectively they utilize these resources to make their interests known to the state.

Clearly, if an interest group hopes to influence public policy to favour its members' concerns, it is crucial to communicate with officials of the state, be they politicians or civil servants. The **form** of the communication undertaken by the organization with the state will vary with the **type** of interest group.²⁴ An institutionalized group such as the BCNI must use the resources at its disposal to articulate the interests of the monopoly capital fraction to the state in a cohesive manner both internally and externally. To favour the concerns of one sector over another means that its interactions with the state are reduced to the competitive bickering found in non-institutionalized business interest groups. In essence, the Business Council attempts to focus the concerns of its members towards broad policy issues that maintain consensus internally and hegemonic dominance of the monopoly capital fraction externally. According to Finlayson:

"We're not interested in four hundred issues and forty-seven government departments. We have a limited staff, limited budget and our members look to us to do a limited number of things. They look to us to influence government policy in areas that are critical to the business community nationally. And that's what we focus our guns on. We don't get lost in all the miasma and details that a lot of other groups, because of the nature of their constituency, have to contend with."²⁵

The form of communication an interest group uses must articulate the concerns of its members in a united fashion. This objective is facilitated by the structure of an institutional group.²⁶ Such an interest group has a sense of continuity and cohesion which is, subsequently, also shared by its members. This amounts to a sense of stability regarding policy objectives that other interest groups lack. Objectives are focused and substantive yet broad enough to be able to "bargain" with the state over specific gains. As a pre-cursor to communicating with the government, an effective interest group must be able to communicate with and amongst its members in order to articulate issues to the state:

"Because that really is the critical challenge of running an association, to **communicate** with your members, perhaps to educate them to a limited extent but to try and reflect their views and priorities. That is the critical management challenge in the association field, knowing what your members think and being able to represent their interests effectively. The government wants all business associations to be able to effectively articulate what the concerns of their members are so that government knows what it's dealing with. The government can get a sense of what industry wants and then make a decision on what type of response, if any, they're going to make."²⁷

What is interesting to note in the above quotation is the use of the term "to educate". When asked to clarify and expand on the use of this term, Finlayson equated it with reaching a consensus between members of the BCNI.²⁸ Equally important, however, to obtaining agreement among the business interest group's members is the legitimization function of the organization.

II) **LEGITIMATION**

The second major function that all interest groups, including the BCNI, attempt to accomplish is legitimization of their concerns.²⁹ What is important to note in this context is that legitimization can be a bi-lateral process between the civil service and the business interest group. From one aspect, an interest group such as the BCNI may be instrumental in convincing policy makers and the populace that changes in public policy accommodate not only the needs of the organization's members but also the "public interest".³⁰ But as the author's model suggests, legitimization can also be achieved by maintaining acceptance and unity of a specific public policy that may run counter to certain monopoly capital fraction interests. The following discussion deals with how this bi-lateral legitimization function is achieved through the structure of the Business Council.

Recall that the author's neo-Marxist paradigm on business-government relations defines an interest group such as the BCNI as being a "parallel bureaucracy" *vis-à-vis* the Federal civil service. Both organizations share certain intrinsic

characteristics and functions. Both are permanent organizations whose power is based upon expertise and knowledge, and whose *raison d'être* is to articulate and reflect the "public interest" or the "general business interest". For both organizations, legitimation is a means of bringing about consensus through being responsive to the needs of their respective constituencies. The Business Council functions to address members' concerns through the following two ways. First, the BCNI has a "Policy Committee", analogous to a corporation's Board of Governors. This Committee's membership is made up of representatives of resource, manufacturing, finance and foreign multi-national interests which meet six to ten times throughout the year to articulate their collective concerns to either d'Aquino or Finlayson. A meeting of the Business Council's full membership takes place twice a year, once in Toronto and once in Montréal, and provides another opportunity for a larger number of members to voice their concerns to the organization's administration. Second, Finlayson stresses the importance of using polls as a means through which members can express their needs.

"Over the last year, we have begun to poll them periodically on specific issues that are of concern to the Council. We have polled them on United States-Canada Free Trade, environment issues, on Meech Lake and a couple of other controversial issues in order to get a sense ourselves what our members think and also to communicate back to them what their counterparts think."³¹

What is essential to understand in the above quotation is Finlayson's assertion that the BCNI acts as a sort of feedback and buffer mechanism, maintaining consensus among the potentially conflicting concerns of its members. Again, this is indicative of an institutionalized business interest group in that legitimation focuses on being responsive to members' concerns without overtly favouring the concerns of one specific sector, *per se*. Within this context, Langille's contention that the BCNI is an association of monopoly capital whose policy directives articulate the exclusive

interests of the hegemonic fraction, i.e., finance capital, led by the chartered banks, is rather arbitrary and unconvincing.³²

For both the civil service and an institutionalized interest group such as the BCNI, legitimation sometimes involves dealing with irreconcilable conflicts. In other words, the post neo-Marxist form and function of the state argument³³ put forth by Flatow and Huisken that the state not only **reflects** conflict among social institutions but actually **embodies** it can be analogous to the legitimation function of the Business Council *vis-à-vis* its members. Finlayson says that usually the BCNI is able to resolve conflict among its members through continuous dialogue among the organization's policy committee or issue groups.

"...But we do see some conflict obviously. And when conflict occurs, conflict being differences of opinion or priority [as] we have seen on trade issues, we see it on macroeconomics, we see it on the environment. When we have a conflict, we try and have one of our committees or issue groups grapple with the issue in some detail. We would put representatives from different view points on the committee so that the players at the table would represent the divergent issues that exist and we would hammer out a consensus position. Usually, you're able to do that."³⁴

On other occasions when internal agreement amongst the members becomes impossible, the BCNI serves as a damage control mechanism, ensuring that internal conflict is minimal and does not take precedence over consensus.

"Sometimes you can't achieve consensus and when that happens, you have two choices. Either you don't take a position on the issue which happens from time to time or more frequently, you do take a position but simply recognize that you're going to have a few members upset. And of course, it would have to be a situation where only a small number of members felt uncomfortable with the position we took."³⁵

The above quotation lends itself to further consideration. Within this context, Claus Offe's hierarchical filter system, discussed in the previous chapter, mentions ideological mechanisms. Ideological mechanisms specify which issues are formally acknowledged by the state and thus placed on the policy agenda for consideration.

Similarly, recall Bachrach and Baratz's concept of "non-decision-making". In both instances, the exclusion of a specific policy issue is a method of achieving consensus and stability. The majority of this activity is performed by the civil service in being selectively responsive to only those interests within society which maintain capitalist dominance under the *façade* of the "common good". Can this same logic be extended and applied to an institutionalized interest group such as the BCNI in that it selectively does not acknowledge certain issues if they present a threat to the overall consensus and stability of its membership? This question can be approached in two different ways. One argument that might be made is that the Business Council's position embodies the classical liberal creed of protecting individual rights and freedoms against the tyranny of the majority. Unfortunately, this reasoning lends itself to a certain amount of ambiguity since it is not explicit whether the minority views refer to the elite position held by the monopoly capital fraction *vis-à-vis* other fractions and classes within society or the minority views within the fraction's business interest group? A more convincing argument might emphasize that the BCNI ensures that there are no areas of dissension that might be exploited by its opponents, i.e., the non-monopoly capital fractions or the working class.

Thus far, the discussion on legitimation has primarily focused upon articulating monopoly capital issues which reflect unity and agreement of the business interest group's members to the state. However, the author's neo-Marxist paradigm on business-government relations also suggests that the business interest organization legitimates policies formulated and implemented by the state to the group's members. This is particularly crucial if a specific policy runs counter to the interests of one or several members of the monopoly capital fraction. The business interest group may experience strain in maintaining cohesiveness of its membership while simultaneously making a particular state-generated policy palatable.

For example, Finlayson claims that:

"On U.S.-Canada Free Trade, we had a number of members who were concerned about the agreement. A large majority favoured it. But the food processing industry was concerned about the impact of the Free Trade Agreement. They were arguing that a Free Trade Agreement with the United States in the absence of some other changes would be something hard for them to live with. The position that we eventually took in the Business Council as a result of input from these sectors was a compromise. We continued to support Free Trade strongly but we publicly took the position that the government had an obligation to deal with the problems facing the food processing industry, which primarily had to do with higher input costs in Canada because of the marketing boards we have."³⁶

Even though the majority of the Business Council's members supported the Free Trade Agreement, the food processing industry was afraid that it would not be "playing on a level field" with its American counterpart. The American food processing industry did not have to contend with marketing boards. Consensus and unity were guaranteed by the Free Trade Agreement since most of the monopoly capital interests benefited from it. Since opposing its implementation would not be prudent, for reasons noted in the following chapter, the BCNI sought to make amendments in order to make the Agreement more palatable to the food processing industry. What is interesting to note is how the business interest group accomplished this. In effect, the Business Council was able to achieve internal agreement and perpetuate the classical liberal creed of "*laissez-faire*" (the government that rules least rules best) by insisting the state limit the power that regulatory agencies, i.e., marketing boards, have in indirectly controlling monopoly capital activities. Even though the food processing industry did not originally favour the Free Trade Agreement, the opportunity it presented in reducing input costs by limiting the authority of marketing boards, made the policy attractive to its long-range goals of accumulation and hegemonic dominance *vis-à-vis* non-monopoly capital fractions. As will be seen in Chapter Five, the monopoly capital fraction uses a similar argument with regards to the

government's proposed environmental protection policy.

CONCLUSION/SUMMARY

This chapter has focused on the organizational structure of perhaps the most elitist yet least well-known Canadian business interest group, the Business Council on National Issues. It has outlined briefly the evolution of the Council from a small group of unfocused big business interests, ill-equipped to interact effectively with politicians and civil servants to a cohesive, sophisticated institutionalized interest group, able to articulate its members' concerns to the state. Its ability to do this is based on maintaining unity and agreement of its members through the "general business interest". Although the organization's staff and budget are relatively small compared to "fledgling" or "mature" interest groups, (most likely to represent non-monopoly capital fraction concerns) individuals like d'Aquino and Finlayson know how the government operates and use this knowledge to target strategic political and bureaucratic officials.

ENDNOTES

- ¹Bob Jessop. *The Capitalist State*.
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- ²David Langille. "The Business Council on National Issues and the Canadian State",
Studies in Political Economy: A Socialist Review, No. 24 (Autumn 1987), p. 43.
- ³Interview with Jock A. Finlayson, Vice President, Policy and Research, Business
Council on National Issues, Ottawa, August 1990.
- ⁴Langille, p. 48.
- ⁵Interview with Jock A. Finlayson, Ottawa, August 1990.
- ⁶Langille, p. 45.
- ⁷Interview with Jock A. Finlayson, Ottawa, August 1990.
- ⁸*Ibid.*
- ⁹Langille, p. 48.
- ¹⁰Business Council on National Issues. "The Meech Lake Accord and Constitutional
Renewal. A Statement Before the Special Committee of the House of Commons on the
Companion Resolution to the Meech Lake Accord", Ottawa, April 12, 1990,
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- ¹¹*Ibid.*, Appendix, pp. 1-2.
- ¹²Interview with Jock A. Finlayson, Ottawa, August 1990.
- ¹³Langille, p. 51.
- ¹⁴*Ibid.*, p. 80, n. 18.
- ¹⁵A. Paul Pross. "Pressure Groups: Talking Chameleons". *Canadian Politics in the
Eighties*, 2nd Ed. Ed. Michael Whittington and Glen Williams. (Toronto: Methuen
Publications, 1984), p. 288.
- ¹⁶*Ibid.*, p. 299.
- ¹⁷Business Council on National Issues. "Economic Strength and Political Stability
- Inseparable Imperatives." A Statement by the Policy Committee Business Council
on National Issues. (Toronto: January 17, 1990), pp. 1-4.
- ¹⁸Pross, p. 298.
- ¹⁹Langille, p. 81., n. 30.

²⁰Pross, p. 299.

²¹Interview with Jock A. Finlayson, Ottawa, August 1990.

²²Pross, p. 299.

²³Pross, p. 288.

²⁴Kenneth Kernaghan. "Pressure Groups and Public Servants in Canada", *Public Administration in Canada: Selected Readings*, 5th Ed. Ed. Kenneth Kerhaghan. (Toronto: Methuen Publications, 1985), p. 311.

²⁵Interview with Jock A. Finlayson, Ottawa, August 1990.

²⁶Kernaghan, p. 309. See also, Pross, pp. 294-295.

²⁷Interview with Jock A. Finlayson, Ottawa, August 1990.

²⁸Interview with Jock A. Finlayson, Ottawa, August 1990.

²⁹Kernaghan, p. 311.

³⁰Pross, p. 290.

³¹Interview with Jock A. Finlayson, Ottawa, August 1990.

³²Langille, p. 50.

³³Jessop, p. 98.

³⁴Interview with Jock A. Finlayson, Ottawa, August 1990.

³⁵*Ibid.*

³⁶*Ibid.*

CHAPTER FIVE: POLICY SCOPE OF THE BUSINESS COUNCIL ON NATIONAL ISSUES

This chapter concentrates on how the consensus achieved through the structure of the Business Council on National Issues is translated into policy concerns and recommendations presented to the state. Recall that the author's neo-Marxist paradigm of business-government relations emphasizes Gramsci's concept of hegemony. The importance of hegemony is the ability to be responsive to "popular interests" (read: those of the masses) as a means of maintaining and perpetuating the *status quo*. The foundations of the *status quo* are the same ones that determine the dominance of the hegemonic fraction, i.e., accumulation and legitimation. Furthermore, the role of hegemony, according to Gramsci, is set within the context of an inherently unstable and fragile system of political relations. Jessop's analysis elaborates on Gramsci's concept of hegemony by relating it to the hegemonic project.

Jessop contends that the hegemonic project attempts to bring about consensus between different and conflicting specific and general interests. Such Canadian "national interest" policies as the "Free Trade Agreement", the "Meech Lake Accord", the "Goods and Services Tax" and environmental protection policies explicitly or implicitly advance the long term interests of the dominant monopoly capital fraction. Although Jessop analyzes the hegemonic project within the framework of the civil service, the author will argue in this chapter that this function can also be adopted by a business interest group such as the BCNI. As the following discussion reveals, the Business Council formulates hegemonic projects as a method of ensuring agreement and unity amongst its membership as well as maintaining its hegemonic dominance.

In the article, "The Business Council on National Issues and the Canadian State", Langille quotes Thomas d'Aquino, the President and Chief Executive Officer of the BCNI, as saying that the business interest group is a means through which its membership

have opted to "contribute personally to the development of public policy and to the shaping of national priorities".¹ The shaping of these national priorities translates into the Business Council on National Issues not concerning itself with the myriad of ministries or agencies that comprise the state. Instead, it will concentrate its efforts on articulating a specific policy approach that serves to effect certain crucial state activities.² What is important to understand here is the scope of government policy -- i.e., what is and is not included in the state's agenda setting process -- that the business interest group attempts to influence.³ Recall Finlayson's assertion in the previous chapter that the Business Council on National Issues "does not concern itself with four hundred issues and forty-seven government departments".⁴ Instead, Finlayson emphasizes:

"The BCNI's involvement in the policy process is an overall attempt to influence the direction the government takes and in some cases the specific content of the policies chosen."⁵

For example, one of the Business Council's national priorities is its obsession with the federal government's budget deficit. This policy concern is interpreted as a creed that the government should apply cut-backs to universal social programs such as family allowances and old age pensions (which currently make up the major portion of the budget's allocation "pie"), and reduce government waste through "unnecessary" administration (read: **curtailing the power and authority state regulatory agencies have in controlling monopoly capital activities**). The discussion in the previous chapter pointed out how the food processing interest within the monopoly capital fraction was able to limit the power of such regulatory agencies as marketing boards (e.g., maintaining "artificially high" costs of raw materials) under the auspices of the Free Trade Agreement. As this chapter contends, the BCNI puts forth a similar argument with regard to the government's proposed environmental protection plan.

protection plan. Often, regulatory agencies are a mechanism that ensure that the companies within a specific industrial sector, both monopoly capital and non-monopoly capital, compete "on a level playing field". Limiting the authority of regulatory agencies is a way of destroying the equilibrium of a "perfectly competitive market" in favour of the monopoly capital fraction and thereby insuring hegemonic dominance. Also, privatizing crown corporations is seen as a way of minimizing "unfair" competition by the public sector with the private sector. Notice how these apparently diverse policy initiatives are joined together in articulating the "public interest" towards "fiscal responsibility" and, furthermore, how the "public interest" becomes intertwined with the "general business interest", in that both serve to maintain accumulation and hegemonic dominance for the monopoly capital fraction.

Similarly, Finlayson states that the policy committee of the BCNI defines "horizontal" issues of concern that affect the national business community as a whole.⁶ Macroeconomic issues, for example, involve such concerns as inflation, exchange rates, unemployment, fiscal policy, the whole question of the deficit, and federal-provincial fiscal relations. Tax policy issues encompass such things as the general sales tax policy in Canada, the overall level of taxation, the design of the corporate income tax system, and, the competitiveness of the Canadian tax system judged against this country's leading trade partners. International trade and economic issues reflect such policies as Free Trade with not only the United States but also Mexico, Canada's involvement with the European Economic Community, as well as our economic relationship with Japan. The final policy area examined here concerns the realm of environmental protection. Within the context of an environmental protection policy, the BCNI's membership favours methods of compliance which reflect the invisible hand of the market economy and not the iron-fisted authority of government regulatory activities.

None of these policy categories reflects the exclusive concerns of such monopoly capital sectors as resources, manufacturing, finance, or foreign investment. Instead, these policy concerns attempt to bring about consensus and cohesiveness among the BCNI's membership. This is the framework through which such national interest hegemonic projects as the "Free Trade Agreement", the "Goods and Services Tax", the "Meech Lake Accord", and environmental protection policy will be analyzed.

THE FREE TRADE AGREEMENT

Langille asserts that the major impetus for the Free Trade Agreement with the United States originated with the Business Council on National Issues.⁷ The monopoly capital interests needed guaranteed access to larger markets and this could not be accomplished without help from the Canadian state. The Free Trade Agreement is a salient factor in bringing about consensus regarding hegemonic dominance of monopoly capital *vis-à-vis* non-monopoly capital fractions within a national context. From an international perspective, the Free Trade Agreement is a method by which the Canadian monopoly capital fraction can compete viably with other countries' monopoly capital fractions.

Since the early 1980's, the BCNI has been a vocal and ardent supporter of a comprehensive Free Trade Agreement with the United States. In such speeches as "Truck and Trade with the Yankees", The Case for a Canada--U.S. Free Trade Agreement", BCNI President and CEO, Thomas d'Aquino, argues eloquently for the benefits to be gained by Canadians through a more liberalized trade policy.⁸ These include securing access to important American markets, significantly raising employment and income levels, strengthening national unity (by abolishing such provincial non-tariff trade barriers as subsidies, which accentuate Canada's regionalist

tendencies) and being a foundation for other agreements on an international scale. What is interesting to note about the Business Council's contention that the Free Trade Agreement could be a model for future trade policies is that it opposes a customs union between the United States and Canada.⁹ A customs union inhibits trade participation by third countries such as Mexico.

The Business Council extols the advantages of a Free Trade Agreement by pointing out that Canada would otherwise be unable to partake of the U.S. Government's procurement market, estimated to be worth seven hundred and fifty billion dollars and a potential for 75,000 new jobs.¹⁰ There are two major problems with this proposition. First, only monopoly capital interests have the financial clout to effectively lobby American politicians and thereby obtain lucrative government contracts. Second, one wonders at how receptive American monopoly capital lobby groups would be to Canadian interests potentially threatening their "special relationship" with the U.S. Government. The situation is exacerbated since the American corporations would view Canadian contract bids as interference and unfair competition in terms of Canadian companies receiving subsidies from their federal government.

The BCNI also claims that another advantage of Free Trade is in substantially improving Canada's abysmal productivity achievements in the industrialized world.¹¹ Under the auspices of the Free Trade Agreement, industries become more specialized and therefore more efficient. Again, the rhetoric contained in this argument reflects the self-serving purposes of the monopoly capital fraction since specialization in this context is synonymous with accumulation through high levels of production and corporate concentration: non-monopoly capital fraction industries do not have access on a large scale basis to factors of production such as natural resources (including land), labour, and capital to compete effectively with monopoly capital industries.

From the point of view of Canada's domestic economy, the Free Trade Agreement with the United States presented an opportunity to preserve monopoly capital's position of hegemonic dominance by eroding the interprovincial trade barriers which favoured the non-monopoly capital fractions.¹² This effort at maintaining consensus between the business interest group's members also provided a crucial legitimization function. The legitimization function was directed to a certain extent towards the general public through the Free Trade Agreement's rhetoric that exposing Canada's domestic industries to more international competition would result in consumers paying lower prices. However, the legitimization function would be even more crucial to the non-monopoly fractions since changes brought about by the Free Trade Agreement would affect their levels of productivity, efficiency, and competitiveness. Essentially, it attempted to act as a sort of damage control between federal-provincial conflicts. The conflicts between the two echelons of government arose since the Free Trade Agreement threatened the protection provincial subsidies created for non-monopoly fractions, i.e., small and medium-sized businesses, *vis-à-vis* the monopoly capital fraction. The BCNI argued that these provincial subsidies distorted market efficiency and competitiveness:

"...on the brewing industry, we took the position that if the brewing industry was going to be included in the Free Trade Agreement, it would be necessary to allow that industry to restructure its Canadian operations which essentially meant closing down a lot of plants that are small in the various provinces and operate with a smaller number of larger plants so that they would be more competitive, more productive, and get economies of scale."¹³

The implications of the Free Trade Agreement must also be examined from an international perspective. Canada's monopoly capital fraction was influenced to a great extent by economists' logic that the country's productivity potential was being hindered by our small market size and market scale.¹⁴ This line of reasoning dictated that a larger market, obtained under the auspices of the Free Trade Agreement, would

be translated into increased levels of productivity. However, another crucial factor in the push towards Free Trade was the European Economic Community's impending unification in 1992.¹⁵ The power that the European economic agreement could yield acted as a catalyst for consensus and unity for North American monopoly capital. Furthermore, the Free Trade Agreement served as a type of economic defense against the new European reality.

Langille, in his analysis of the attempts by business interest groups to secure a Free Trade Agreement, indicates that it is rather ironic that the negotiations took place at a time of heightening protectionism on America's part.¹⁶ However, the author argues that it was not so much a case of irony than necessity on the part of Canadian capital which saw Free Trade as a way to exempt Canada from the possible effects of protectionism while simultaneously broadening export and investment interests into America. The calls for a protectionist trade policy by the U.S. Government originated from the American non-monopoly competitive sector, which feared that under the Free Trade Agreement, Canadian monopoly capital interests would have an unfair advantage in the American domestic market. High interest rates in the United States have increased the value of the American dollar. The result was an unbalanced U.S. Trade Sheet, encouraging imports, which became relatively cheaper than U.S. products, and making American exports relatively more expensive, and therefore less competitive internationally.

However, it is misleading to assume that the high interest rates in America, which led to a trade deficit for U.S. exports in international markets, were solely responsible for hastening Free Trade negotiations between the United States and Canada. The fundamental underlying reason for establishing a bilateral trade agreement between Canada and the United States was that Canadian monopoly capital had reached the point of maximum growth potential within our relatively small

domestic market. Further expansion into other markets (such as the U.S.) by the Canadian monopoly capital fraction was a necessity if it was to maintain accumulation and hegemonic dominance. Therefore, the BCNI may have interpreted the Free Trade Agreement as a means to guarantee opportunities for the expansion of monopoly capital by increasing access to such international markets as America and, more recently, Mexico, at the expense of other fractions and classes.

What is interesting to note in this instance is the BCNI's current policy recommendation to include Mexico in the Canada-United States Free Trade Agreement.¹⁷ Could the Free Trade Agreement with Mexico be a means to secure and broaden the multi-national manufacturing interests of the Canadian monopoly capital fraction by not limiting investment to the high interest rate market of America *per se*? Extending the Free Trade Agreement to include Mexico would offer such benefits to the manufacturing sector as a relatively large pool of indigenous labour available, thereby driving down the cost of labour which is particularly crucial to such a labour-intensive industry as manufacturing, and the close proximity to American and Canadian markets, resulting in lower transportation costs. The influx of Mexican manufactured products into Canada also means that the monopoly capital fraction will be able to maintain its hegemonic dominance over the non-monopoly manufacturing fractions since they will not be able to compete effectively without provincial product tariffs or subsidies, which the Free Trade Agreement eliminates. The monopoly capital fraction is also able to subdue the efforts of the working class to push for higher wage rates, since the Free Trade Agreement makes a decrease in indigenous labour costs an inevitability to remain competitive with imports. However, the manufacturing interest of the monopoly capital fraction is not the only sector to benefit from the Free Trade Agreement.

The resources sector of the monopoly capital fraction gains the advantage of

increased access to a larger market through the Free Trade Agreement.¹⁸ Higher export quotas for such Canadian energy products as oil, natural gas, electricity, and uranium are a direct result of the federal government phasing out the national energy program. The government's radical shift to a more "*laissez-faire*" attitude towards energy consumption and exports maintains monopoly capital hegemonic dominance in the following respects. First, the new policy regarding resources explicit in the Free Trade Agreement means that the priority for domestic energy supplies has shifted from the manufacturing firms of the Canadian industrial heartland, i.e., small and medium-sized businesses of the non-monopoly capital fractions, to the more lucrative American markets. Secondly, the increased overhead costs and the financing of future exploration and production involved in higher levels of energy exports means that small and medium-sized companies will be squeezed out of the market by large conglomerates. As with the elimination of provincial subsidies and tariffs, the rhetoric of this energy policy involves creating a market that is more competitive, efficient, and productive. Finally, the current "Gulf Crisis" between Iraq and Kuwait will inevitably allow the energy producers of the monopoly capital fraction to increase prices for domestic and export consumption. Although the author realizes that this could not have been foreseen by the BCNI at the time the Free Trade Agreement was negotiated, it is still a salient point to consider.

Ironically, one of the interests within the monopoly capital fraction that benefits from the Free Trade Agreement is foreign investment. Thomas d'Aquino asserts that in "non-restricted" sectors, the limits placed upon foreign take-overs by the review clause of the Free Trade Agreement have been raised over time to exempt acquisitions of less than one hundred and fifty million dollars for direct take-overs.¹⁹ While this in no way threatens the holdings of other monopoly capital interests, it does provide an effective method of increasing foreign ownership of non-monopoly capital

fraction businesses. Furthermore, indirect take-overs by foreign investment groups do not come under the Free Trade Agreement's jurisdiction. Indeed, the BCNI readily admits that the Free Trade Agreement is a means of attracting Japanese and other foreign investment to Canada.²⁰

Thus far, the discussion has centred on the means by which the Free Trade Agreement between Canada and the United States (and, possibly, Mexico) has strengthened the consensus and hegemonic dominance of the monopoly capital fraction. But the question that begs to be asked is: what classes or fractions bear the expenses? Langille, in his analysis, holds that the cost may be inflicted upon the working class in terms of decreasing wages and significant cuts in such public services and programs as regional development, environmental protection, health and safety, welfare, pension, and culture.²¹ In addition, the Free Trade Agreement acts to support the *status quo* in perpetuating monopoly capital hegemonic dominance by dissolving provincial subsidies and tariff regulations as well as making non-monopoly capital interests more vulnerable to foreign take-overs. Essentially, the Free Trade Agreement, instead of bringing consensus to the competing non-monopoly fractions, merely polarizes one business against another in a desperate attempt to remain profitable and independent. Very few survive in this more efficient and productive market economy -- most are victims of bankruptcy or take-overs.

THE GOODS AND SERVICES TAX

The proposed Goods and Services Tax (GST) falls under what the BCNI refers to as a "tax policy" horizontal issue. As with the Free Trade Agreement, the policy mandates that the BCNI stresses in the Canadian state's implementation of the Goods and Services Tax include efficiency, competitiveness and consensus.²² In effect, the GST represents

an attempt to establish economic stability as a corollary to political stability, i.e., the Meech Lake Accord. In other words, the GST attempts to maintain consensus in Canada's taxation system by establishing a tax that will apply to all provinces just as the Meech Lake Accord attempted to bring about agreement between the provinces by formally acknowledging Quebec's right to a distinct society and thereby including it in the Canadian Constitution. But, as the following analysis shows, the GST merely exacerbates the unequal structure inherent in the Canadian taxation system. Maintaining the *status quo* through this particular tax policy also contributes to the hegemonic dominance of the monopoly capital fraction.

In the discourse "Why Tax Reform is Vital to Canada's National Prosperity", d'Aquino states that members of the BCNI have been studying major reforms in our tax system since at least 1984.²³ The Council considers its efforts to place tax reform, of which the GST is a part, on the state's policy-setting agenda as being "far-sighted" since neither the federal government nor many Canadians supported the idea. Despite this stumbling block, the BCNI was convinced that tax reform was "inevitable" and furthermore that Canada's business community could not participate effectively in the implementation of the tax policy without a clear, concise framework. Part of this framework involves the legitimization function of resolving intergovernmental conflict.²⁴ A comprehensive tax reform policy can only be effective if the provincial governments support the reforms and implement suitable supporting policies. This point will be elaborated on later in the discussion.

Langille's analysis of the Goods and Services Tax is convincing since he argues that the policy will reduce corporate taxes while enlarging the sales tax.²⁵ Coupled with broadening the tax base, the GST raises revenues that will ostensibly aid in financing the budget deficit. The restructured tax system will also mean a reduction of

the province's ability to tax corporations.²⁶ Like the Free Trade Agreement, the framework of this policy explicitly assumes that any potential intergovernmental conflict regarding legitimation will be resolved to maintain consensus and responsiveness in the interests of the monopoly capital fraction:

"At the same time, the federal and provincial governments should come together again--and be locked in a room, if necessary--until they agree on a single, combined national and provincial sales tax that can be easily understood and collected."²⁷

The crucial point in this quotation is the BCNI's concern that the federal and provincial echelons of government co-ordinate their efforts in implementing a tax which is easily comprehended and administered by business. But the problem is that the implementation of the GST by the different provinces does not amount to consensus but, rather, accentuates the inequality inherent in the Canadian taxation system. The provinces have opted for two ways of implementing the Goods and Services Tax.²⁸ The figures in Table 5.1 indicate that provinces such as Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland have decided to "piggy back" their respective provincial sales taxes on the price of goods after the GST has been applied, while other provinces such as British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario will have a single, combined tax.

What is interesting to note in this dichotomy, is that those provinces which will have a single combined tax are not only accommodating the concerns of the monopoly capital fraction for such a tax, but are also, coincidently, those provinces where the majority of big business interests are located. The figures in Table 5.1 also show that provinces implementing the single tax system will have lower tax rates than those provinces (with the exception of Quebec in 1992) that will implement the GST by piggy backing it to the provincial sales tax. It is not very likely that either the monopoly capital fraction and non-monopoly capital fractions, will want to or have to contend

with both taxation systems. According to Catherine Swift, Chief Economist of the Canadian Federation of Independent Business:

"Industries having to deal with more than one province will go berserk. Companies will have to keep different systems and keep different types of books depending where their store is."²⁹

Essentially, the two-tier system proposed by the provinces for implementing the GST makes the administration of the tax for businesses that have to contend with both methods more cumbersome, and consequently, less streamlined and competitive. Even though both non-monopoly fractions and the monopoly fraction inevitably have to deal with the two taxation systems, only big business has the technological and human resources to adapt.³⁰

TABLE 5.1

**"SALES TAX RATES FOR THE PROVINCES AFTER
IMPLEMENTATION OF THE FEDERAL GOODS AND SERVICES TAX (GST)"³¹**

PROVINCE		PROVINCIAL RATE	WITH GST OF 7%
Provincial tax is applied on Goods and Services Tax	British Columbia	6%	13%
	Alberta	0%	7%
	Saskatchewan	7%	14%
	Manitoba	7%	14%
	Ontario	8%	15%
	Quebec - Now	9%	0%
	- January 1, 1991	8%	15.56%
	- January 1, 1992	7%	14.49%
	New Brunswick	11%	18.77%
	Nova Scotia	10%	17.7%
	Prince Edward Island	10%	17.7%
	Newfoundland	12%	19.84%

Source: Drew Fagan. "Different Tacks on the Tax." *The Globe and Mail*, (October 17, 1990), p.B1.

Canada's regionalism between "have" and "have not" provinces is also made more acute by the proposed implementation of the GST by the provinces. The data contained in Table 5.1, for example, indicate that the Atlantic provinces, areas of high unemployment, low industrial development, and whose citizens can least afford being taxed twice, are hit hardest. By "piggy backing", the provincial sales tax on top of the price of goods after the GST has already been applied, the combined taxes will equal 19.84% in Newfoundland. "Have not" provinces such as New Brunswick and Newfoundland argue that they cannot afford to lose revenue by not piggy backing.³² Newfoundland, for example, would lose twenty million dollars if it did not "piggy back" the two taxes. Total revenue from the provincial sales tax system would increase by \$560 million in the 1990-1991 fiscal year for Newfoundland.

Although the Business Council is anxious to get the proposed GST implemented in a universal method in all provinces, it is equally concerned with the tax policy creating an environment conducive to business expansion by lowering both government spending and high interest rates. The BCNI's obsession with cutting the deficit by curtailing government spending, which includes transfer payments from Ottawa to "have not" provinces, is indicative of classical liberalism's emphasis on "*laissez-faire*" government. In this context, the "*laissez-faire*" activity of government means that Canada's federal system is put in jeopardy since Ottawa and the provinces will no longer proportionately share in the responsibility of financing universal social programs. Essentially, under the proposed system, the responsibility for providing financial assistance to the poor has shifted from the "have provinces" and the federal government to the "have not" provinces. In effect, the double taxation system of the provincial sales tax and the GST penalizes the citizens of the "have not" provinces for their poverty.

One wonders how the citizens of the Atlantic provinces will benefit

substantively from the proposed "piggy back" taxation system if they must simultaneously pay the most yet are the most in need? Is it logical for provinces such as Newfoundland or New Brunswick to pay the GST when their provincial sales tax is already higher than "have" provinces such as Ontario or British Columbia? The Business Council argues that imposing the GST universally on all provinces promotes a fair and efficient tax system reform, although its members would prefer, in their own interests, the straight taxation system of "have provinces" *vis-à-vis* the "piggy back" system of "have not" provinces.

The BCNI also urges that the new tax policy maintain business tax breaks regarding the depreciation of business equipment and investment in research and development.³³ Again, these benefits are more likely to accommodate the long-term interests of the monopoly capital fraction *vis-à-vis* non-monopoly capital fractions. Nor are the non-monopoly capital fractions the only ones to bear the burden of this new tax policy. In implementing the GST, the government wants workers to accept a "one-time" 2.25% increase in inflation from the tax without demanding a similar increase in wages.³⁴

The implication of the Goods and Services Tax is parallel to the Free Trade Agreement in two respects. First, both policies attempt to maintain the monopoly capital's hegemonic position by creating a more competitive, efficient, and productive market economy at the expense of the non-monopoly capital fractions. Efficiency is established by implementing a tax policy that selectively eliminates those small and medium-sized businesses that cannot compete. Second, d'Aquino maintains that a major tax reform, which includes the GST, would hasten the further "harmonization" of the Canadian and American tax systems given the extensive amount of bilateral trade and investment allowed under the Free Trade Agreement.³⁵ In effect, the "harmonization"

of the two countries' tax systems, along with bilateral free trade, are both incentives which promote common levels of efficiency, greater productivity, and increased profits for American and Canadian monopoly capital fractions *vis-à-vis* their non-monopoly counterparts. The Conference Board of Canada insists that the replacement of the current Manufacturers' Sales Tax by the GST will mean a significant increase in Canadian exports.³⁶ Furthermore, the BCNI reflects the Conference Board of Canada's findings by stating:

"The improved climate for capital investment and exports arising from the removal of the Federal Manufacturers' Sales Tax (MST) in 1991 also should lead to better productivity performance, **particularly in the manufacturing and resources sectors**. Economists have estimated that the combination of bilateral free trade and elimination of the MST could boost the productivity capacity of the Canadian economy by 3-4%."³⁷

This is because the GST, in effect, "internalizes" the tax that manufacturers would pay for exported products by shifting the cost of access to international markets onto the domestic economy. In other words, Canadians, by paying the Goods and Services Tax, are footing the bill for the monopoly capital manufacturing interests to expand their export capability and thereby secure accumulation and hegemonic dominance. Small wonder that the BCNI, since 1985, has been a proponent of replacing the existing narrowly based Manufacturers' Sales Tax with the broadly based Goods and Services Tax.³⁸

The irony contained in the GST is that the federal deficit that it is designed to pay off has been increased, to a large extent, through tax expenditures granted to the monopoly capital fraction by the state. However, the BCNI's perspective focuses not so much on the tax expenditure aspect of the budget deficit as creating a better, more simplified taxation system and thereby reducing the federal debt.³⁹ For the Business Council, the two policies go hand in hand since a reformed tax policy would direct

federal revenues to "running" the government (in a political and/or administrative sense?) and upholding certain national responsibilities, while cutting back on certain government programs and thereby reducing the deficit.

One of these responsibilities involves giving social security benefits only to those people who "really need" government assistance, i.e., true to classical liberalism, the BCNI would like to see welfare obligations transferred from the state to the individual.⁴⁰ The "common good" embodied in universal social services becomes irrelevant and obsolete in this context. But, by directing federal social service expenditures to only really destitute individuals, the Council reasons that the budget deficit can be lowered by eliminating a lot of "free riders". However, one wonders what parameters the BCNI would use to measure an individual's destitution and need for social services. Where or how do the "working poor" fit into the Business Council's scheme of things?

The BCNI also advocates that pension reform should not concentrate on expanding the government-sponsored Old Age Security Program, since this only adds to the federal deficit, but should rather rely on private sector options and voluntary individual arrangements.⁴¹ These private sector options involve redirecting money away from state-sponsored pension plans into such monopoly capital interests as insurance companies, banks, and investment firms. Again, the question that begs to be asked is: do such private sector options provide universality in terms of being accessible, affordable, and available?

THE MEECH LAKE ACCORD

As stated previously, the BCNI connects economic strength with political stability. The constitutional amending formula is interpreted in terms of a

macroeconomic issue by the monopoly capital fraction since it affects such things as the exchange rate and federal provincial fiscal relations. However, the failure of the Meech Lake Accord can affect the realm of international trade as well. Whether or not the Meech Lake Accord was ratified was of smaller consequence to the membership of the BCNI than maintaining consensus and perpetuating the monopoly capital's hegemonic dominance.

The Business Council viewed the Meech Lake Accord as an opportunity for Canada to get its political house in order through intergovernmental co-operation and as a means of establishing economic strength.⁴² Ostensibly, the fore-mentioned intergovernmental co-operation is synonymous with consensus between Ottawa and the provinces. However, as the following discussion illustrates, the framework for this argument is limited and oriented towards the interests of monopoly capital. Perhaps the primary issue of consensus and responsiveness to which the Meech Lake Accord addressed itself was legitimizing Quebec's right to a distinct society within Canada. However, the BCNI tended to downplay the term "distinct" as being in some way more equal than others.⁴³ The Meech Lake Accord also recognized and legitimized the federal government's prerogative to control more directly its fiscal relationship with the provinces:

"It is wrong to maintain that the Accord decentralizes in favour of the provinces to the point of overly weakening the federal system. On the contrary, for the first time, it gives the federal government the power to spend money in areas of provincial jurisdiction."⁴⁴

Such areas might include making previously unconditional federal loans and grants to the provinces more accountable and subject to Ottawa's scrutiny. Controlling the federal deficit and administrative waste is merely a policy *façade* the monopoly capital fraction adopts in eliminating non-competitive and inefficient government-assisted business ventures. These provincially funded programs, like tariffs, benefit

the interests of supporting regional development (mainly non-monopoly capital enterprises) within "have not" provinces at the expense of the monopoly capital fraction:

"There is little evidence to suggest that industrial regional development grants are needed to support **viable** business and investment activity."⁴⁵

Although the Meech Lake Accord affected intergovernmental relations, its failure contains serious repercussions for both Ottawa and the provinces. The Business Council recognizes that the Meech Lake Accord's failure will result in intergovernmental (read: political) conflict.⁴⁶ However, the concerns of its members are not so much to the post-Meech Lake Accord political arrangements as to perpetuating economic consensus and viability:

"The collapse of the Meech Lake Accord throws into question the future of the Canadian political system and the future of the Canadian common market. So for the coming year, one of the priorities we have identified is to try and have some influence on the thinking of Canadians and the media, and politicians about how important it is to **preserve the Canadian common market**, regardless of what happens at the level of constitutional and political dialogue with Quebec. Quebec may separate, it may not. Who knows?! But our concern and the concern of our members, both within Quebec and outside, is to ensure that the common market will be preserved, regardless of the political arrangements that may eventually develop."⁴⁷

Finlayson's emphasis on preserving the Canadian common market, regardless of the Meech Lake Accord negotiations' outcome, deserves further consideration. Recall that monopoly capital's hegemonic dominance over other fractions and classes depends on its ability to maintain consensus and unity amongst its members. The failure of the Meech Lake Accord may foreshadow not only political but also economic sovereignty for Quebec. Without a common market of monopoly capital interests between Quebec and the rest of Canada, the hegemonic dominance of this fraction will be threatened.

The lack of cohesion, i.e., the lack of a common market, between monopoly capital fraction interests means that the group's hegemonic dominance will be challenged by the non-monopoly capital fractions and the working class. Recall the author's proposition in the previous chapter that the BCNI, as an organization, functions to acknowledge and articulate only those monopoly capital interests that ensure consensus, stability, and unity of its membership. Clearly, the Business Council must aggregate its membership towards a common objective, regardless of the Meech Lake Accord's political consequences, to maintain hegemonic dominance. The formation of a common market can be an objective which transcends the Accord's political tensions to provide a source of continued economic growth and strength for monopoly capital interests. For example, the ability of the monopoly capital fraction to expand its production and investment capacities will be hindered without a common market since ventures require the joint efforts of finance, resources, and manufacturing interests. Lastly, the objectives of the monopoly capital fraction, i.e., accumulation and hegemonic dominance, must be focused on group, not individual, benefits. It would not be efficient or rational in economic terms to have the monopoly capital interests of Quebec compete with the rest of Canada's monopoly capital interests.

Without a common market, the monopoly capital interests may end up becoming regionalized and competing with each other, a situation analogous to the non-monopoly capital fractions. Eventually, competition leads to individual interests taking precedence over the common goal of hegemonic dominance. Clearly, the monopoly capital fraction's vested interests in perpetuating accumulation and hegemonic dominance for its members must transcend the inherent conflict of the Meech Lake Accord's failure, in order to maintain consensus.

The macroeconomic effects on the monopoly capital fraction's interests must also be considered in terms of the Meech Lake Accord's failure. The BCNI points out

that the doubt and uncertainty created by the inability of the provinces and Ottawa to resolve the Accord's impasse will inevitably result in a decrease of investment within Canada, as well as a drop in economic growth and incomes.⁴⁸ This situation is exacerbated in terms of Quebec since its monopoly capital fraction is mainly based on resources and manufacturing interests, both of which tend to rely on foreign investment for financing and export markets.

Furthermore, the international economic community's perception of the Meech Lake Accord conflict may result in higher interest rates, uncertainty about the Canadian dollar's stability and a decrease in foreign investment activity.⁴⁹ One wonders at how convincing the higher interest rates argument is since this is precisely one of the inducements by which foreign investment is attracted. It is important to emphasize that the term foreign investment does not refer to the industrial infrastructure, *per se*, but rather to "futures investment", i.e., the sale of Treasury Bills by the federal government. Having high interest rates is an incentive for foreign investment in this respect. But higher interest rates and an unstable currency do diminish the opportunities Canadian multi-national firms have in making their own foreign investments. This is particularly crucial since all interests within the monopoly capital fraction, i.e., resources, manufacturing, and finance have a common objective in Canadian multi-national investments abroad. A need for consensus between these monopoly capital fraction interests is also important since there is a high level of interdependency with regard to supporting Canadian foreign investment.

Although the Meech Lake Accord was formulated to include Quebec in the Constitution by formally acknowledging its distinctiveness, to the members of the Business Council, the policy was merely a mechanism to achieve economic stability and consensus. The monopoly capital fraction is concerned with the conflict between the

federal and provincial echelons of the government only to the extent that it affects the group's consensus or hegemonic dominance. Clearly, from the business interest group's point of view, the twin pillars of economics, rationality and efficiency, must also prevail in the political dialogue concerning the Meech Lake Accord:

"The dominance of passion over reason in the Meech Lake debate, and the preoccupation with politics over economics, has made Canadians forget just how much we have accomplished together as a strong, stable, and unified country."⁵⁰

ENVIRONMENTAL PROTECTION POLICY

One of the recent concerns that the Business Council has included in its policy scope is the issue of environmental protection. What is interesting to note about this particular policy is that, unlike the other ones discussed thus far, it does not contribute to the monopoly capital fraction's unity or hegemonic dominance. Rather, the recognition of this policy concern has been forced upon the business interest group's membership by the highly successful but sometimes unconventional lobbying activities of the grass-roots based Greenpeace organization (among others) and, subsequently, by the public's growing awareness that environmental protection must be included on the government's policy-setting agenda.

The Business Council's formal acknowledgement of the need to study environmental protection came on May 15, 1989 when the interest group announced it would be establishing a task force on the environment and the economy.⁵¹ According to BCNI President and CEO, Thomas d'Aquino:

"Success in building an environmentally sustainable economy will come only through co-operation and consultation among all groups. The business community will be seeking more opportunities to work with others in developing appropriate policies and practices."⁵²

The twenty-five member task force's chairperson is Scotia McLeod Inc. President, Tom

Kierans, who also chaired the "Energy Options Committee" sponsored by the Federal Energy Department in 1988.⁵³ The committee's suggestions concentrated on the development of non-renewable resources while simultaneously emphasizing environmental protection. At first glance, these two policy mandates seem contradictory, especially since environmental protection is more likely achieved or enhanced through the development and production of renewable energy sources. But to such BCNI members as Imperial Oil Limited, Shell Canada Limited, and TransCanada PipeLines, it makes economic sense to concentrate on non-renewable energy sources since these are what their production capabilities and hegemonic dominance are based on. Using a similar framework of objectives, the Business Council Task Force on the Environment will study national as well as international regulations and incentives to compose a "practical report" (*sic*) that can be a "basis of action" for the business community.⁵⁴

The framework through which members of the BCNI interprets environmental protection policy is economics:

"We try to look for the sort of horizontal environment issues that are going to be of concern to business in general. The cost of compliance, for example. The extent to which the government should be relying on market-based instruments versus command and control regulatory regimes or trying to improve the quality of the environment."⁵⁵

Implicit in this assumption is the classical liberal concept of "*laissez-faire*". Notice how Finlayson's approach to protection of the environment does not emphasize a moral or normative stance on business' contribution to the solution. Rather, the resolution of the problem is based upon a cost feasibility assessment. This is a common objective through which all the interests of the monopoly capital fraction can be brought together. Can there be a balance between environmental and economic interests?⁵⁶ Will the implementation of an environmental protection policy by the state necessarily

worsen Canada's deteriorating industrial competitiveness?⁵⁷ Recall that the *raison d'être* of the Free Trade Agreement was to expand the market in which American and Canadian businesses could compete on a "level playing field" without such "obstacles" as tariffs or provincial subsidies favouring non-monopoly capital fractions. Canadian capitalists may see a tougher environmental policy (and the direct and indirect costs of compliance) as a barrier to competing on equal terms with U.S. and other foreign producers, whose governments do not have such stringent environmental policies.

The policy perspective through which the BCNI approaches protection of the environment is recognition of the problem and also the trade-offs that will have to be incurred. Basically, there are two trade-offs: cost and time.⁵⁸ The element of cost translates into environmental protection requirements being borne by consumers. Bob Page, Chairman of the Canadian Environmental Advisory Council, an independent group that advises the federal Environment Ministry, says:

"Business has been slow off the mark in addressing pollution concerns. The impact of the environment on companies' earnings has prompted a recent surge in corporate environmentalism."⁵⁹

This is the same argument the Business Council uses for its endorsement of the Goods and Services Tax, i.e., it supports cutting the deficit so long as the policy does not cut into profits.

Cost may also be an incentive, particularly to the resource and manufacturing interests of the monopoly capital fraction, to seek government subsidies or tax expenditures in terms of research and development. In other words, the interests of monopoly capital inevitably lead to an increase of the state's accumulation and legitimization functions. Recall James O'Connor's "fiscal crisis of the state" argument, summarized in Chapter Three, that the rise of the state's activities means a cause of increased growth for the monopoly sector as more of the costs, but not the benefits of

accumulation, are shifted to the non-monopoly sector and the working class. Finally, cost may also be a way in which monopoly capital keeps its hegemonic dominance over the non-monopoly fractions since it is more capable of paying without sacrificing much profit. As with the Free Trade Agreement, hegemonic dominance occurs only through competition and elimination of subordinate fractions.

The second trade-off to be made, if an environmental protection policy is implemented, is time. Here the monopoly capital fraction argues that the expectations of those who demand and regulate environmental protection must not be drastic and immediate, but rather incremental and gradual. The new reality involves giving industry ample opportunity to readjust from the standards of yesterday to the standards of today. For example, state regulatory agencies may have to lower their expectations while big business "catches up" and becomes "environment friendly". In this context, another important legitimization function of the state is resolving intergovernmental conflict, i.e., between federal and provincial regulatory agencies, regarding the formulation and implementation of a co-ordinated environmental protection policy. The need for intergovernmental consensus and unity from the perspective of the BCNI will be elaborated on in the following chapter.

The state is more inclined to act this way, i.e., to give industry plenty of lead time to adjust its technology and methods of production to being "environment friendly", towards the monopoly capital fraction simply because it has a larger vested interest in maintaining the *status quo* towards accumulation and legitimization. Big business advocates a long-term focus towards formulating and implementing a policy on the environment which is agreeable to all (but not necessarily to the same extent):

"Industry, government, labour, environmental groups and consumers will sit together to hammer out first an understanding and then a *modus vivendi* for making suitable development a reality."⁶⁰

CONCLUSION/SUMMARY

The purpose of this chapter has been to summarize and analyze the policy scope of the BCNI. It has shown how the author's neo-Marxist paradigm on business-government relations can be applied to the interests of the monopoly capital fraction in maintaining consensus and hegemonic dominance. The horizontal policy concerns of the Business Council are geared towards providing agreement because they do not antagonize or polarize one sector against another as may happen among the non-monopoly capital fractions. Rather, the organization seeks to coalesce the interests of its membership.⁶¹ The next chapter analyzes how the interests of the monopoly capital fraction are communicated to the state, and the various stages of the policy process in which the BCNI intervenes so that the "business interest" becomes synonymous with the "public interest".

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CHAPTER SIX: INTERACTIONS BETWEEN THE BCNI AND THE STATE

The previous chapters have dealt with the structure and policy scope of the Business Council on National Issues and their respective roles in maintaining agreement and unity amongst its members, while simultaneously perpetuating the hegemonic dominance of the monopoly capital fraction *vis-à-vis* the non-monopoly capital fractions. The final level of analysis in applying the author's neo-Marxist paradigm of business-government relations is to examine the process of interaction between the state and the interest group. Accordingly, this chapter discusses the various stages in the policy process at which the Business Council seeks to intervene to make the "general business interest" synonymous with the "public interest".

The specific branches of the state that will be discussed here are the senior levels of the civil service and the Cabinet. Generally, neo-Marxist literature on the functions of the state suggests that the state serves to establish a common concern of key fractions of capital, thereby maintaining hegemonic dominance through policies of accumulation and legitimization. However, the author's business-government relations paradigm proposes that this role is performed not by the state or the public service but by the "parallel bureaucracy" of the BCNI. The Business Council can be categorized as a "semi-state" organization with respect to its functions of promoting policies which instil a sense of agreement and unity amongst its members as well as maintaining the hegemonic dominance of the monopoly capital fraction. Its internal structure shares similar attributes with the civil service with respect to being a "non-partisan", permanent organization with knowledgeable staff, financial resources, and an objective which promotes the "general business interest" in terms of the "national interest" in its policy initiatives.

Consequently, the BCNI occupies a position somewhere between civil society and

the state as it is usually discussed in neo-Marxist literature. Thus far, the analysis is quite similar to Langille's discourse on the business interest group.¹ But, as pointed out in the previous two chapters, some of Langille's supporting arguments tend to be general, misleading, and arbitrary simply because his analysis depends too heavily on the state's accumulation function. At times, this economic determinism implicitly argues that the Business Council has usurped the state's function of maintaining accumulation for the monopoly capital fraction.

Like many neo-Marxist theorists, Langille does not discuss extensively the state's other equally important function of legitimization. In this context, legitimization refers not only to being responsive to particular concerns under the "public interest" *façade* but also avoiding conflict. As the following discussion illustrates, the Business Council relies on Ottawa to resolve any possible intergovernmental conflict with the provinces in terms of formulating and implementing policies which are advantageous to the monopoly capital fraction.

Recent literature pertaining to the study of public policy argues that by examining the public policy process, we can discover **how** these policies are manifested.² By studying the actions, assumptions, perceptions, and strategies of the various players (in this instance, the business interest group and the civil service), the level of analysis can reveal how these broader concepts affect the policy process specifically. For instance, Langille postulates that rather than responding to government policy initiatives, the Business Council often assumes the role of actually setting the state's policy agenda.³ As mentioned earlier, it is important to remember that the state cannot be seen as an overt mechanism of monopoly capital dominance by the other fractions and classes. Capitalist policy concerns regarding accumulation and legitimization, i.e., social cohesion, consensus, and fractional dominance, must be

translated by the state into hegemonic projects. It is the process by which the concerns of the "general business interest" are translated into the "public interest" that will be the framework of this chapter. Specifically, how is it that the interaction between the BCNI and the civil service is translated into policies that uphold the monopoly capitalist *status quo* under the public interest *façade*?

IDENTIFYING THE KEY PLAYERS

Langille argues that the trend to having capital concentrated to a small and elite group, i.e., the monopoly capital fraction, has reflected a parallel shift of power to the state's executive branches.⁴ Why has there been an analogous shift of power within the structures of capital and the state? The author's neo-Marxist paradigm of business-government relations might be able to extend the level of analysis, from the perspective of the business interest group and the state. As mentioned in Chapter Three, Flatow and Huisken contend that the state should be discussed in terms of uniting the fractional interests of bourgeois society by their common concern for capital accumulation, alongside and occasionally contrary to their particular interests. If this proposition is applied to a business interest group, such as the BCNI, the organization must have the ability to unite its members' interests, simply because maintaining hegemonic dominance is dependent upon creating internal consensus. Furthermore, because of the concentration of capital within the monopoly fraction, whose interests are represented by the Business Council, this fraction has a greater stake in perpetuating the *status quo* to reflect accumulation and legitimation than do the competing and splintered interests of the non-monopoly capital fractions.

From the perspective of the state, the concentration of power within the upper echelons of the civil service and the Cabinet may indicate that these two branches are the most responsible for formulating and implementing policies under the "public

interest" *façade*. Subsequently, the analogous concentrations of power in Canadian monopoly capital and the state's executive may be necessary to provide a common perspective concerning the state's policy agenda-setting process.⁵ Moreover, this shift of power to the state's executive is evident in that the Business Council focuses its interactions with the strategic levels of the state:

"We're trying to influence the sort of broad direction of government policy and so our efforts at the advocacy level are really targeted at the political level, and also at the most senior bureaucratic level--the Deputy Ministers, the Assistant Deputy Ministers ... we try to focus mainly on the most senior levels of government."⁶

Identifying the key players in this respect is a useful beginning, but as the author stresses, it is not enough to assume such a relationship exists merely by pointing out that the business interest group and officials of the state interact. The analysis must be extended to include how the group's interactions within the policy process guarantee capital accumulation and legitimation of monopoly capital hegemonic dominance.

THE PRE-POLICY STAGE

Throughout his discourse on the activities between the BCNI and the Canadian state, Langille emphasizes that the interest group attempts to set the general framework for policy concerns.⁷ Clearly, by setting the state's policy agenda, the Business Council hopes that the concerns of its members will eventually be translated into the state's future hegemonic projects. It is imperative that the monopoly capital fraction express its concerns to the state. What is salient to note in this context, is the time frame involved between when the business interest group starts to articulate its members' concerns and the point at which the state formally acknowledges these issues by placing them on the policy-setting agenda. Recall the previous chapter's

discussion on the "far-sighted" discourses the Business Council has given on competitive international trade, reform of the Canadian taxation system, the importance of maintaining a common market with Quebec irrespective of its future status in the Canadian Constitution, and creating an efficient economy while protecting the environment. Equally important, the state must acknowledge the salience of these issues by placing them near the top of the policy-setting agenda:

"... in a sense, we're trying to influence it [i.e., the policy process] and have some impact on the government's own selection of priorities, rather than what the legislation is going to say. So it's almost a stage prior to the normal policy process in a way. It's trying to shape the overall agenda."⁸

One of the structures through which the BCNI attempts to influence the state's policy directions is the Priorities and Planning Committee.

The Priorities and Planning Committee (P&P Committee) can be described as an "inner Cabinet", chaired by the Prime Minister, which sets the policy agenda for other sectoral committees.⁹ In January 1989, the Mulroney Administration created a new Cabinet Committee system which was designed to be more streamlined and focused towards specific policies.¹⁰ There are two points of interest regarding the changes. First is the creation of the Economic Policy Committee, whose mandate is to formulate policies conducive to assisting Canadian industries to become more competitive and take advantage of the opportunities offered by the Free Trade Agreement. The Cabinet's Environment Committee is responsible for ensuring that government initiatives, policies, and programs support the government's objectives. Notice that these two specific Cabinet Committees are almost identical to the BCNI's "horizontal" international trade and economic issues and environment issues in terms of policy scope. This may further explain the process through which monopoly capital concerns are translated into policy initiatives by the state.

Second, the Communications Committee of cabinet is responsible for making sure that government policy and program initiatives are effectively communicated to the public and the overall program of the government is presented coherently.¹¹ A useful illustration within this context is the Mulroney Administration's recent million dollar "flyer" campaign to educate Canadian householders about our country's new economic plan and how such policies as the Free Trade Agreement, the GST, reducing the deficit, controlling inflation by maintaining high interest rates, and expanding job skills training are integral to the government's policy direction. The Federal-Provincial Relations Committee, whose activities are closely linked to the Communications Committee, is equally important to the legitimization function of the cabinet.

The *raison d'être* of the P&P Committee is to survey the entire process of financial planning and activities of the co-ordinating committees (e.g., communications, federal-provincial relations), standing committees (e.g., expenditure review, economic policy), and *ad hoc* committees (tax reform) towards "fiscal restraint". Recall from the previous chapter's discussion that such terms as "fiscal restraint" and "fiscal responsibility" are creeds on which the state bases its policy formulation and implementation. The creeds simultaneously address the concerns of capital to reducing the deficit, thereby lowering interest rates and stimulating industrial investment. Another important consideration in this respect is that the interests of the Business Council are identical to the concerns addressed by the Priorities and Planning Committee:

"We start with our own agenda, what our four, five, or six priorities are for the coming six months or a year, and we work from that script. The Priorities and Planning Committee is meeting later this month [August] to decide on the 'Autumn Agenda'. Our ultimate goal is to try and influence the basic choices that would be made at that very early stage. **But it's almost for us a question of trying to influence their basic thinking about what their priorities will be**, quite apart

and prior to trying to influence the content of any specific legislation."¹²

There are two points of interest that can be discussed in reference to the P&P Committee that also pertain to the author's neo-Marxist paradigm of business-government relations. First, the priorities of the BCNI can be seen as a "policy die" that is used to shape or form the state's policy agenda. This supports the contention of the form and functions theorists, discussed in Chapter Three, that the state is reactive to class conflict within capitalism. The state does not have the ability of being *clairvoyant* regarding class conflict and planning its appropriate form and function. Rather, it **reacts** to class conflict, or in the case of the Business Council, **reflects** policies that will maintain the monopoly capital fraction's hegemonic dominance. The Planning and Priorities Committee also shows **how** the state acknowledges which specific interests it will accommodate in policy formulation and implementation. In the case of the BCNI, both the business interest group and the state have parallel policy agendas which facilitate accumulation and legitimation of monopoly capital's hegemonic dominance.

Second, the P&P Committee represents a source of legitimation, i.e., being responsive to the "public interest" and bringing about consensus regarding concerns of the business interest group in the state's policy formulation and implementation functions. As the discussion in the previous chapter illustrates, the interactions between the BCNI and the government that ensure consensus through appropriate policies are not limited to the Federal echelon *per se*, but also include the Provincial governments. Part of this chapter focuses on the Business Council's concern that both Ottawa and the Provinces reach a consensus on joint implementation of the Goods and Services Tax and an Environmental Protection Policy. These bi-lateral policy negotiations attempt to ensure that the "general business interest" is maintained under

the auspices of the "public interest" *façade*. The discussion now concentrates on how the Business Council tries to articulate its members' concerns through the state's policy formulation and implementation.

POLICY FORMULATION

1) ACCUMULATION

All business interest groups attempt to influence the state's formulation of policies which will be conducive to accumulation. This tacit knowledge is a common objective that binds such different organizations as the Business Council on National Issues and the Canadian Federation of Independent Business. What separates them is how effectively each group is able to achieve this objective with its interactions with the state. Our discussion in Chapter Four suggests that an "institutionalized" interest group such as the BCNI interacts frequently with Cabinet Ministers and senior members of the civil service while communication with the state by a "fledgling" interest group such as the CFIB can best be described as somewhat erratic and confrontational. One argument that can be put forward to explain the different strategies each group uses is derived from the perspective of state monopoly capitalism. Recall the premise of this neo-Marxist paradigm is that the state's activities accommodate the exclusive concerns of the monopoly capital fraction at the expense of non-monopoly capital fractions. What is important to emphasize at this point is that only selected officials of the state are involved in this process.

Ralph Miliband, in his neo-Marxist instrumental writings, (which are discussed in Chapter Three), contends that the state's structure is not monolithic but is divided into various branches such as the executive, the legislature, crown corporations, regulatory agencies, the police, the army, courts, and sub-national governments (i.e.,

Provincial and Municipal). The executive, which includes the Cabinet and the upper echelons of the public service, and the Legislature are the focus of our current discussion. The fore-mentioned dichotomy exists because the executive and administrative apparatus of the state monopolize the functions of policy formulation and implementation. It is precisely for this reason that a group such as the Business Council must communicate its members' interests at the early stages of public policy-making. As noted previously, once the policy reaches the legislative branch of the state, it is "cast in stone" and impervious to all but minor changes. Maintaining the capitalist *status quo* to reflect the interests of monopoly capital is not dependent on minor technical changes in policies.

What is interesting to note in the example of the BCNI is that even within the state's executive, the organization is selective as to the specific ministries and departments it strategically targets. Consequently, it focuses its interactions on individual ministries and departments that will articulate the membership's interest in the formulation of appropriate policies. For example, Finlayson says the Business Council's "network" with the Canadian state "encompasses all the Federal Agencies and Departments, all Cabinet Ministers, and chairmen of various Parliamentary Committees."¹³ However, later on in the discussion, Finlayson qualifies this assertion by suggesting that the BCNI's contact with the state is limited in scope to those specific Departments which have the most potential in formulating policies that reflect the four "horizontal issues of concerns" discussed in the previous chapter:

"...We probably spend more of our time with dealing, interacting with the senior economic departments in government, namely Finance, Industry, Science and Technology, External Affairs and International Trade, Consumer and Corporate Affairs, **Central Agencies that are involved in the policy process, notably, the Privy Council Office**...Finance of course, includes tax policy which is done within the Department of Finance. Revenue Canada is really just the collection arm for taxes. We don't deal with them very extensively. **We deal more on sort of macroeconomic and tax issues with the Finance**

Department."¹⁴

The various Departments of the government that Finlayson mentions are all crucial to the Business Council's on-going dialogue with senior politicians and bureaucrats. The articulation of the business interest group's concerns to certain key departments within the government and the civil service ensure that future policies are advantageous to monopoly capital. For example, the formulation of a bi-lateral trade agreement between the United States and Canada must be a co-ordinated effort between the Department of Finance, which includes the Canadian Import Tribunal and the Tariff Board, External Affairs, which includes the Export Development Corporation and is directly linked to International Trade, and Consumer and Corporate Affairs, which includes the Restrictive Trade Practices Commission. Similarly, proposed reforms to Canada's taxation system, such as the GST, must involve the Department of Finance in policy formulation. Notice that Finlayson emphasizes that Revenue Canada is involved only in the implementation of the Goods and Services Tax. The Business Council's interactions with the Department of Industry, Science and Technology might provide important input for an Environmental Protection Policy that is economically feasible for monopoly capital.

Finlayson also stresses the pivotal role of the Department of Finance in terms of macroeconomic and tax issues. Recall that macroeconomic issues include the inflation rate and exchange rates. However, Finlayson says that members of the BCNI Policy Committee meet with John Crowe, The Bank of Canada's Governor, "less extensively than with some of the other departments."¹⁵ In terms of formulating policies advantageous for the monopoly capital fraction, the BCNI's interaction with the Department of Finance as opposed to The Bank of Canada is rational. The Bank of Canada falls under the jurisdiction of the Minister of Finance. Moreover, literature pertaining to the budgetary process indicates that prior to tabling the budget in the

Legislature, the Minister of Finance will consult with the Governor of The Bank of Canada.¹⁶ For example, if the policy direction of the budget is one of controlling inflation, the budget's objectives may include streamlining or cutting government programs, increasing or proposing new taxes such as the GST in order to cut the deficit and maintaining high interest rates to curb spending by both businesses and consumers. What is interesting is that high interest rates also support the will of the monopoly capital fraction to be hegemonically dominant by reducing the probability of new non-monopoly capital industries being established and thereby eliminating competition from other fractions. High interest rates also accommodate the needs of the foreign investment sector of the monopoly capital fraction.

Finlayson also mentions the importance of dealing with Central Agencies that are involved in the policy process such as the Privy Council Office (PCO). This point merits further discussion. The Privy Council Office is a small organization which offers policy advice and administrative assistance to the Prime Minister, to Cabinet as a whole, and to Cabinet Committees.¹⁷ Although the PCO is analogous to the PMO's function in providing policy advice to elected officials, the Privy Council Office is staffed by senior public servants rather than political appointees. The organization of the PCO is such that each Cabinet Committee (with the exception of the Treasury Board which maintains its own Secretariat) has a civil servant appointed as a Secretariat from the Privy Council Office.¹⁸

The responsibilities of each Cabinet Committee Secretariat include overseeing the general policy environment of the Committee as well as **advising on new policy initiatives**.¹⁹ The PCO's salient role in policy formulation makes it an invaluable component in the BCNI's communication network with the state. Its participatory role in monitoring the general policy environment of each Cabinet Committee means that

the concerns of the Business Council's membership are articulated to the nerve centres of power within the state and will be forwarded by the PCO Secretariat to the appropriate Department and Ministries over which each Committee has responsibility. The Privy Council Office's role of "gate keeper" means that only certain concerns, namely those that perpetuate the *status quo* for the monopoly capital fraction, will be placed on the policy-setting agenda. This "gate keeper" function of the civil service is analogous to Claus Offe's "hierarchical system of filters" or Bachrach and Baratz's concept of "non decision-making." The PCO's function also substantiates the author's contention that the civil service maintains a dominant position within the state because of its permanence *vis-a-vis* politicians and its monopoly on expertise, knowledge and information. Our model also emphasizes the significance of the state formulating policies which help to legitimize or bring about consensus of other fractions and classes to the hegemonic dominance of monopoly capital. The discussion now turns to how the state's legitimation role reflects the BCNI's interests.

II) *LEGITIMATION*

Recall that we define the state's legitimation functions to include the civil service's ability of being responsive to monopoly capital's needs under the "public interest" *façade*. The Business Council's concern over the general direction taken by the federal budget, i.e., whether it promotes or diminishes the interests of the organization's members, will be included in the analysis. The following discourse highlights the additional legitimation function of the federal government in eliminating any potential sources of conflict with its provincial counterparts regarding policy formulation.

The objective of any public policy, including a financial one like the budget, is attempting to bring about consensus amongst various, sometimes conflicting, needs.

The state must have the ability to be responsive to the diversified needs of society. The budget, by extension, is a financial expression of the state's legitimation function. This is of particular relevance to the monopoly capital fraction since the budget's overall direction often perpetuates the fraction's hegemonic dominance in the "public interest". Indeed, one may even classify the annual Federal budget as part of what Jessop terms a "hegemonic project". Finlayson elaborates within this context:

"We're very concerned with the direction set down by the budget every year. That's probably the central document that's produced by the Federal government that we're most concerned about on a year to year basis. It's the budget, the fiscal plan that's laid out, the basic kind of economic philosophy and direction the government's going to take, the key economic policy areas for priority action within the year, the overall question with the tax system and the tax burden."²⁰

Notice how Finlayson equates the Federal budget with the general fiscal direction the government will undertake and specifically the tax system and the tax burden (read: who benefits from the government's policy and who bears the cost?). A good illustration of this point is the federal government's proposed Goods and Services Tax. Recall from the previous chapter that the GST is part of the government's initiative to lower the deficit by broadening the tax base. The GST also creates a more fair and competitive taxation system by implementing a tax that is applicable universally to all provinces while simultaneously eliminating the archaic "hidden" Manufacturer's Sales Tax (MST). But our analysis also points out how the GST maintains the hegemonic dominance of the monopoly capital fraction by acting as a policy buttress to the Free Trade Agreement. The Free Trade Agreement was designed to enhance the accumulation of monopoly capital interests by extending access to international markets. High production levels mean not only increased profits but also paying an increased MST, which is applied to exported manufactured goods. Not only does this lower the profit potential for the manufacturing sector, it also makes "playing on a level field" more difficult for Canadian manufacturers, especially with trading

partners which do not have a comparable tax. Clearly, the answer for the Business Council to this problem is to formulate a tax policy which "internalizes" the MST, thereby taxing the Canadian public so that the monopoly capital manufacturing sector can be more efficient and productive. The GST is interpreted in terms of the "public interest" by equating the tax's revenue to reducing the Federal deficit, inflation, and interest rates. Furthermore, all of these things will improve Canada's climate for investment and competition, but again these terms are narrowly defined to include only the interests of the monopoly capital fraction.

As with formulating accumulation policies that mirror the interests of the monopoly capital fraction, what is important to consider in the state's legitimation function is the time-frame involved and the strategic departments targeted. The Business Council on National Issues must articulate the concerns of its membership effectively so that their interests will be placed on the state's policy agenda well ahead of the presentation of the budget to the House of Commons and be recognized as "legitimate" by officials involved in the budget's drafting. Within this context, Finlayson asserts:

"We really gear up in the Autumn to get our own economic issues on the agenda, to put some kind of economic position paper together on what we see as the critical economic issues facing Canada in the coming six months to one year period. And that will serve as our pre-budget submission and our attempt to influence the broader economic agenda. We see the budget as the critical driving force of the economic agenda so we tend to focus on the Minister of Finance and on the Cabinet Committees involved in putting the budget together or the broad outline for the budget."²¹

There are two critical things to note in Finlayson's quotation. First, consider the significance placed on the sense of timing the business interest group uses to articulate its concerns for the upcoming budget to the state. Formulating policies which reflect either the accumulation or legitimation functions of the state requires that the interest group articulate its concerns to the state far ahead in time to influence

the policy direction. This supports Miliband's proposition that shaping the *status quo* towards monopoly capital interests must be accomplished in the early stages of the policy process. Second, but equally important, note that the Department and Cabinet committees that function in terms of legitimation are exactly the same ones that maintain accumulation policies. This suggests that a business interest group such as the BCNI tends to express its needs, both for accumulation and legitimation of its hegemonic dominance, to the same strategic departments and personnel. Through this interaction, the state acknowledges the "general business interest" and makes it synonymous to the "public interest". The means by which the state recognizes particular interests within the structuralist paradigm of the relatively autonomous state also becomes less ambiguous. The co-ordinated functions of accumulation and legitimation by the Department of Finance and Cabinet Committees also support the view of form and functions of the state theorists that the capitalist state not only reflects but embodies conflict. Having a single state mechanism for both accumulation and legitimation towards monopoly capital hegemonic dominance ensures that fractional and class conflict is minimal and kept under control.

The Business Council is also concerned that the interests it expresses for the state to consider as future policy initiatives be equally accepted by the Federal and Provincial levels of government. A co-ordinated effort by both levels of government ensures conflict of policy formulation as well as implementation is minimal.²² Thus, Finlayson states that once the business interest group's constituency has identified and agreed upon its priorities, the next step is to influence both the Federal and Provincial governments on these issues.²³ Perhaps the most relevant examples within this context are the collapse of the Meech Lake Accord and the proposed Environmental Protection Policy, initiated by the federal government.

The discussion of the Meech Lake Accord in Chapter Five pointed out that the

BCNI had hoped the Accord's ratification would usher in a new era of Canadian political and economic stability. However, the Accord's collapse means that the inherent political conflict between Ottawa and the Province of Quebec must be resolved in terms of maintaining a common market. Recall that the monopoly capital fraction's hegemonic dominance depends on its ability to maintain consensus and unity of membership. From the perspective of the Business Council's membership, the formulation of a post-Meech Lake Accord Policy between Ottawa and Quebec must focus on establishing a common market to maintain the cohesiveness of Canadian capital as well as foreign investment interests.

The legitimization function of the state is also crucial to resolving intergovernmental conflict in the formulation of a co-ordinated Environmental Protection Policy. Finlayson points out that the Federal-Provincial overlap and potential for intergovernmental conflict in the formulation of an Environmental Protection Policy adds confusion and fear to the business interests being "over-regulated".²⁴ The lack of a comprehensive and co-ordinated effort by both levels of government may result either in a policy "twilight zone" where Ottawa and the Provinces are unsure of each other's jurisdiction or in duplication of regulatory activities. The current argument between Ottawa and Saskatchewan over the proposed building of the controversial "Rafferty" dam is a perfect example of this intergovernment conflict. While the two echelons of government engage in a war of words, the long-term accumulation interests of the monopoly resource sector are threatened since the water supply that the proposed dam will offer as a cooling pond for a power generation station is being delayed for an indeterminate amount of time. From the Business Council's point of view, the solution to this policy formulation problem is:

"...to call for greater clarification of jurisdictional responsibilities, the

development of national standards wherever possible, and the creation of a 'one window' environmental review system to facilitate assessment and approval of economic development projects that fall under both Federal and Provincial jurisdiction."²⁵

This "one window" approach also ensures that both levels of government become aware of the monopoly capital fraction's interests and formulate a joint Environmental Protection Policy that will accommodate accumulation and hegemonic dominance. While it is important for the state to acknowledge the concerns of the monopoly capital fraction by placing them on the policy-setting agenda in terms of formulation, the state's function of equating the "general business interest" to the "public interest" also extends to implementation. The next section examines how this is accomplished in terms of resolving intergovernmental conflict regarding policy implementation.

POLICY IMPLEMENTATION

Recent literature on business-government relations points out that a major source of conflict between interest groups and the state is in the realm of interprovincial rivalries which the implementation of a Federal policy might create or exacerbate.²⁶ As with the formulation stage of public policy, intergovernmental conflict makes it more difficult to make the "general business interest" synonymous with the "public interest". The following presents a brief discussion of the legitimization function of the state in terms of establishing Provincial agreement regarding the Free Trade Agreement and the Goods and Services Tax. Remember that a significant part of the state's legitimization function in this context is having the Federal and Provincial governments support the interests of monopoly capital implicitly through policy implementation.

The formulation and implementation of the Free Trade Agreement maintained the *status quo* for the monopoly capital fraction by broadening the accessibility to

international markets. The implementation of the bi-lateral trade agreement also threatened the protection provincial subsidies created for non-monopoly capital fractions. The monopoly capital fraction argued that interprovincial subsidies to small and medium-sized businesses in "have not" provinces merely created "inefficient" competition *vis-à-vis* other businesses and furthermore, served to exacerbate Canadian regionalism. In advocating the Free Trade Agreement's formulation and subsequent implementation, the BCNI is equating the "general business interest" with the "public interest". Thus, accumulation and hegemonic dominance of the monopoly capital fraction are legitimized by the state into a policy which ostensibly provides a more competitive, efficient market and lower consumer prices on imported goods.

It is misleading to suggest that the interactions of the Business Council with the civil service and/or Cabinet Ministers are restricted to either just the formulation or the implementation of policies. Rather, it is an on-going activity by the BCNI to articulate its membership's concerns from the pre-policy stage to policy implementation. Within this context, Finlayson says:

"...and that is a frequent pattern here. It's happened with the Canada-U.S. Free Trade Agreement where we supported the policy decision to negotiate a Free Trade Agreement and subsequently, we supported the actual agreement. The Goods and Services Tax is another example. We very strongly supported the concept of a national value added tax and pushed the government very hard to institute such a tax. They produced the Goods and Services Tax proposal. We had some problems with the way it was drafted and then tried to influence it in the subsequent months. We were involved both in the sort of pre-policy decision stage and subsequently, in trying to have some impact on the content of the policy as it evolved over time."²⁷

What is interesting to note in the above quotation is that Finlayson mentions the Free Trade Agreement and the GST in the same breath, the implication being that the two policies are closely linked. A plausible argument can be made that the implementation of the Free Trade Agreement maintained the hegemonic dominance of the monopoly capital fraction but not without cost to its members. With broader access

to the United States market (and, possibly Mexico), the monopoly capital manufacturing sector was able to increase the level of exported Canadian goods. However, this higher level of production also meant paying more Manufacturer's Sales Tax, a federal tax added onto exported goods. Non-monopoly capital fractions, i.e., small and medium-sized businesses in the manufacturing sector escaped this tax since their merchandise was geared mainly towards the domestic market. Clearly, the implementation of the Free Trade Agreement would be self-defeating to the accumulation interests of the monopoly capital fraction if it had to pay a higher Manufacturer's Sales Tax. In this instance, the implementation of one policy was the impetus for the development of another.

However, the two policies diverge on the Federal government's legitimization function, i.e., bringing about consensus between the Provinces by the implementation of the GST. Consequently, Ottawa is not only having difficulty justifying the GST to Canadians in terms of being responsive to the "public interest", it is hindered in the successful universal implementation of the tax by the Provinces. Some Provinces have decided to incorporate the GST and the Provincial Sales Tax into a single combined tax. Other Provinces have chosen to "piggy back" their respective Provincial Sales Tax on top of the merchandise and the GST. The problem is made more acute in this context since both monopoly and non-monopoly fractions will have to deal with a two-tier taxation system.

CONCLUSION/SUMMARY

Figure 6.1 represents a graphic portrayal of the author's neo-Marxist paradigm of business-government relations, reflecting important amendments which are discussed in this chapter. It is identical to our preliminary model in all but two respects.

The first revision made to the original model is the inclusion of the Privy

Council Office as a major force in policy formulation. This is because the Privy Council Office's personnel are senior civil servants who are appointed to be Secretariats of the various Cabinet Committees. Two of their most fundamental responsibilities are to "suggest" policy initiatives and to monitor the policy agenda of each Cabinet Committee. Essentially, the position of Secretariat in this context is that of a "gate keeper" regarding what issues are and are not considered in policy formulation. Consequently, BCNI interaction with members of the PCO is crucial to ensuring that the interests of monopoly capital are included in the launching of new policy initiatives. Our discussion of the PCO, however, should not preclude the Prime Minister's Office (PMO) as another important member of the BCNI's communication network with the Canadian state. The PMO functions as an "alternate bureaucracy" to which the Business Council can articulate its membership's concerns. Recall that the BCNI's current President and CEO, Thomas d'Aquino, was part of the PMO for the Trudeau Administration between 1969-1972, and knows its internal operations well.

The second change evident in the revised paradigm lies in the recognition of interactions between members of the BCNI and the Federal Cabinet. These interactions serve two purposes in translating the interests of monopoly capital into the "public interest". First, in the policy formulation stage, the BCNI presents its concerns to Cabinet Ministers as well as the Planning and Priorities Committee so that both the business interest group and the government will have parallel policy agendas. We have noted that certain Departments such as Finance are important not only to the accumulation but also to the legitimization component of policy formulation. Thus, for example, the involvement of the Department of Finance in articulating monopoly capital concerns in the formulation of accumulation policies is extended to the formulation of such legitimization policies as the budget. Interaction with elected officials from both Ottawa and the Provinces is also prevalent in the formulation and

implementation of policies. An example of bringing about consensus between the two echelons of government to reflect the concerns of big business is the formulation of a clear and co-ordinated Environmental Protection Policy. With regards to policy implementation, the Federal government attempts to resolve or minimize intergovernmental conflict or interprovincial rivalries. The collapse of the Meech Lake Accord and the implementation of the GST are two prominent examples in this context.

The introduction of this chapter focused on how the author's paradigm of business-government relations was different from other neo-Marxist discourses in that it places an "institutionalized" interest group such as the BCNI between the realms of the state and civil society. The BCNI merits this distinction since its structure and policy scope reflect a "parallel bureaucracy" to the civil service. Both are permanent organizations whose power is based upon knowledge, expertise, and information. Both attempt to maintain consensus and unity through policies which reflect "the general business interest" and the "public interest". Often, the state's hegemonic projects serve as a *façade* for policies that support accumulation and hegemonic dominance of the monopoly capital fraction. To minimize conflict with other fractions and classes, the Business Council often equates its interests with the "public interest". Thus, according to Jock Finlayson:

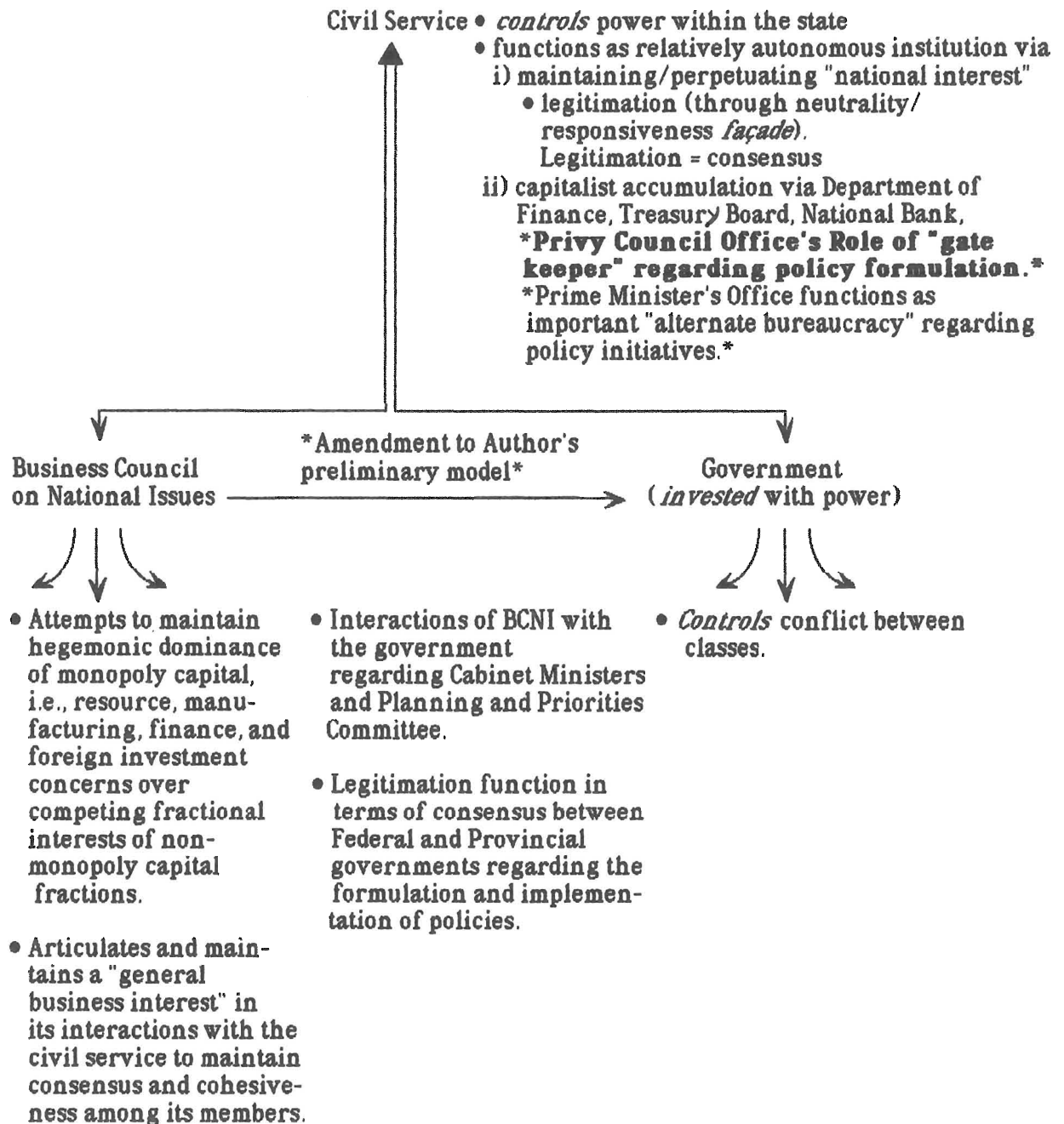
"We tend to look at these horizontal issues that have an effect on business and on the country as a whole. Because of that, we like to think we're capable to some extent of rising above the narrow interests of big business and making some sort of contribution to intelligent public policy debate, and intelligent public policy content at the national level, and to a lesser extent at the Provincial level."²⁸

To the extent that the BCNI is successful in equating its members' interests with "the public interest" and in influencing the policies of the formal executive branch of the state, it may be viewed as a vital agency in the performance of the state's accumulation

and legitimation functions, since the "relatively autonomous" state is thereby enable to acknowledge and accommodate the interests of the monopoly capital fraction while simultaneously appearing to transcend the class and fractional conflicts of civil society.

FIGURE 6.1

**"A REVISED NEO-MARXIST PARADIGM
OF BUSINESS-GOVERNMENT RELATIONS."**



ENDNOTES

¹David Langille. "The Business Council on National Issues and the Canadian State", *Studies in Political Economy: A Socialist Review*, 24 (Autumn 1987), pp. 46-47.

²Richard Simeon. "Studying Public Policy", *Canadian Journal of Political Science*, Vol. 9, No. 4, (December 1976), p. 576. (Emphasis mine).

³Langille, p. 55.

⁴*Ibid.*, p. 73.

⁵The discussion trying to explain the shift towards concentration of power for monopoly capital as well as the state's executive (both administrative and political) is similar to Poulantzas' priorities regarding the concept of hegemony. As mentioned previously, a criticism of Poulantzas' concept of hegemony points to whether the state's form directly influences the specific group which will be hegemonically dominant and its ability to organize and articulate its interests, or, conversely, will particular hegemonic interests within the capitalist struggle influence the form of the state?

⁶Interview with Jock A. Finlayson, Ottawa, August 1990.

⁷Langille, p. 56.

⁸Interview with Jock A. Finlayson, Ottawa, August 1990.

⁹Isaiah A. Litvak. "Lobbying Strategies and Business Interest Groups." *Government and Enterprise in Canada*, Ed. K.J. Rea and Nelson Wiseman. (Toronto: Methuen Publications, 1985), p. 313.

¹⁰"Background Paper on the New Cabinet Decision-Making System." (Mimeo), Author Unknown, Date of Publication, January or February 1989?, pp. 1,2,4.

¹¹*Ibid.*, p. 2.

¹²Interview with Jock A. Finlayson, Ottawa, August 1990. (Emphasis mine).

¹³Interview with Jock A. Finlayson, Ottawa, August 1990.

¹⁴Interview with Jock A. Finlayson, Ottawa, August 1990. (Emphasis mine).

¹⁵Interview with Jock A. Finlayson, Ottawa, August 1990.

¹⁶Douglas G. Hartle. *The Revenue Budget Process of the Government of Canada: Description, Appraisal, and Proposals*, p. 8. Quoted in Kenneth Kernaghan and David Siegel, *Public Administration in Canada. A Text*. (Toronto: Methuen Publications, 1987), p. 513.

¹⁷Kernaghan and Siegel, p. 147.

¹⁸*Ibid.*, p. 148.

¹⁹*Ibid.*, p. 148. (Emphasis mine).

²⁰Interview with Jock A. Finlayson, Ottawa, August 1990. (Emphasis mine).

²¹Interview with Jock A. Finlayson, Ottawa, August 1990. (Emphasis mine).

²²Litvak in Rea and Wiseman, p. 317.

²³Interview with Jock A. Finlayson, Ottawa, August 1990.

²⁴Interview with Jock A. Finlayson, Ottawa, August 1990.

²⁵Letter from Jock A. Finlayson to the Author, dated Ottawa, September 06, 1990.

²⁶Litvak in Rea and Wiseman, p. 317.

²⁷Interview with Jock A. Finlayson, Ottawa, August 1990.

²⁸Interview with Jock A. Finlayson, Ottawa, August 1990.

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